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Letter dated 6 December 2004 from the Chairman of the Security Council Committee established pursuant to resolution 1521 (2003) concerning Liberia addressed to the President of the Security Council

On behalf of the Security Council Committee established pursuant to resolution 1521 (2003) concerning Liberia, and in accordance with paragraph 2 of resolution 1549 (2004), I have the honour to submit herewith the report of the Panel of Experts on Liberia.

I would appreciate it if this letter, together with its enclosure, were to be brought to the attention of the members of the Security Council and issued as a document of the Council.

(*Signed*) Munir **Akram**
Chairman
Security Council Committee established pursuant
to resolution 1521 (2003) concerning Liberia

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Annex

Letter dated 23 November 2004 from the Chairman of the Panel of Experts on Liberia addressed to the Chairman of the Security Council Committee established pursuant to resolution 1521 (2003)

On behalf of the members of the Panel of Experts on Liberia, we have the honour to enclose the report of the Panel, prepared in accordance with paragraph 2 of Security Council resolution 1549 (2004).

Panel of Experts on Liberia

(*Signed*) Atabou **Bodian**
Chairman

(*Signed*) Arthur **Blundell**

(*Signed*) Damien **Callamand**

(*Signed*) Caspar **Fithen**

(*Signed*) Tommy **Garnett**

Report of the Panel of Experts pursuant to paragraph 2 of Security Council resolution 1549 (2004) concerning Liberia

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* The annexes are being circulated in the language of submission only.

Abbreviations

ASECNA	Agence pour la sécurité de la navigation aérienne en Afrique et à Madagascar
ECOWAS	Economic Community of West African States
FDA	Forestry Development Authority (Liberia)
ICAO	International Civil Aviation Organization
ICRC	International Committee of the Red Cross
IMF	International Monetary Fund
LURD	Liberians United for Reconciliation and Democracy
MODEL	Movement for Democracy in Liberia
OTC	Oriental Timber Company (Liberia)
RIA	Robertsfield International Airport
UNAMSIL	United Nations Mission in Sierra Leone
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNMIL	United Nations Mission in Liberia
USAID	United States Agency for International Development
WFP	World Food Programme

Summary

1. **Humanitarian and socio-economic status.** As Liberia struggles to recover from the repercussions of a protracted civil war, the majority of its citizens continue to suffer a great deal from a dysfunctional economy, characterized by widespread financial improprieties by government officials, extremely low economic growth, a high foreign and domestic debt burden, and soaring unemployment estimated at more than 80 per cent. This and the decline in subsistence agricultural activities, causing food shortages in the rural communities, have all contributed to a situation in which the coping mechanisms of Liberia's poor remain drastically undermined. The ongoing return of thousands of Liberians from asylum, coinciding with a growing influx of refugees fleeing from the deteriorating political and security situation in neighbouring Côte d'Ivoire, threatens to overburden an already dire humanitarian situation in rural Liberia.

2. **Weapons.** Small quantities of arms and ammunition imported to Liberia were smuggled in from neighbouring countries, such as Guinea and Sierra Leone, for the purpose of being surrendered in the disarmament, demobilization, rehabilitation and reintegration process in Liberia. The end of the disarmament process in Liberia allowed the recovery of more than 27,000 weapons; that has to be compared with former disarmament, demobilization, rehabilitation and reintegration processes in the subregion, which resulted in similar numbers of weapons surrendered. Knowledge of the sequential numbers of rifles smuggled indicates a provisional benchmark return rate of more than 60 per cent. Information on weapons caches was received on a regular basis even though seizure of some proved to be elusive. Nevertheless, caches of weapons discovered permitted the recovery of various types of ammunition, heavy machine guns, rocket-propelled grenade launchers and rifles.

3. **Diamonds.** The National Transitional Government of Liberia continues to demonstrate a commitment towards satisfying the requirements of the Security Council for the lifting of the current embargo on the export of Liberian rough diamonds. However, its efforts remain hampered by a lack of funding and institutional capacity. With the onset of the dry season, and increased levels of internal security in the wake of the full deployment of the United Nations Mission in Liberia (UNMIL) and the completion of the disarmament programme, mining activity has begun to increase steadily. This trend is set to continue until the beginning of the next rainy season in July 2005. While some of the mining is licensed by the Ministry of Lands, Mines and Energy, much of it is illegal, and recent reports indicate that production from these mines is being smuggled to the international market via neighbouring countries. Given that former combatants are now returning to the rural areas in search of work, and the fact that the Government lacks the functional capacity to control illegal mining, violations of the Security Council embargo on the export of Liberian diamonds are set to increase in the short to medium term.

4. **Timber.** There is widespread compliance with sanctions on the export of timber from Liberia. However, the Forestry Development Authority (FDA) has not completed the reforms required by the Security Council to ensure that the sector is not a source of conflict. FDA must reform its financial management systems. It must also become operational in the field. Until now, staff remain in Monrovia because of security concerns in the forested areas prior to the completion of disarmament. Given the inability of FDA to enforce the rule of law, it is likely that loggers will

violate regulations. Indeed, a growing domestic market is being supplied by ex-generals who are hiring ex-combatant labourers. The fastest way to achieve the necessary reform is to hire a professional management team to run FDA.

5. **Financial.** The first full-year budget of the National Transitional Government did not give any sign of macro-economic policy orientation. The National Transitional Government has misplaced priorities in the budget, allocating 52 per cent for personnel expenditure and 15 per cent for the security service sector, at a period when UNMIL is primarily responsible for national security, instead of making allocations for health, education, water and roads. The National Transitional Government has not yet prepared the accounts for the previous two budgets. From February to June 2004, the Ministry of Finance allowed excess expenditure of $8.6 million without any allotments from the Bureau of the Budget. Neither was any supplementary budget prepared nor any approval of the National Transitional Legislative Assembly obtained. There were large variations between the purposes for which amounts were sanctioned by the Legislative Assembly and the purposes for which the funds were actually spent. In addition, there were several instances of leaking government revenues. Most of the revenue-generating parastatals or units have not been audited. The prime instrument of accountability in the Government, the Office of the Auditor Genera has been made ineffective by successive Governments restricting funds and other resources.

6. **Assets freeze.** The National Transitional Government took considerable time to initiate action to freeze the assets of the persons designated by the Security Council. When the Government finally acted, it did so only against 2 of the 26 persons on the list, and that too without proper preparation. As a result, the Supreme Court of Liberia intervened to stay the administrative order when the affected persons challenged the orders. Rumours abound in Liberia that other named persons, including Jewel Howard Taylor, are disposing of their properties. The Panel contacted a number of countries — Burkina Faso, Canada, Côte d'Ivoire, Germany, Ghana, Guinea, Israel, Lebanon, Nigeria, Sierra Leone, South Africa, the United Kingdom and the United States of America — to obtain information about the assets frozen by them in pursuance of Security Council resolution 1532 (2004). The Panel has learned that, as at the time of writing, Germany, the United Kingdom and the United States have identified and frozen the assets of three listed individuals, namely, Leonid Minin, Agnes Reeves-Taylor and Benoni Urey, respectively.

7. **Civil aviation.** The Panel is concerned about the current situation of aircraft registry in Liberia. Only two aircraft are registered according the Liberian civil aviation authorities. The Panel recalls that the reason for grounding aircraft in 2001 was mainly the high number of aircraft bearing the Liberian suffix EL. The Panel is of the view that aircraft are still flying elsewhere in the world with this suffix for illicit activities. The case in the Democratic Republic of the Congo is a good example.

8. **Travel ban.** The Panel approves the permanent presence of UNMIL civilian police officers at Robertsfield International Airport (RIA) as it may enhance the security procedures on one hand and may allow an overall supervision of RIA civilian security personnel.

I. Introduction

Terms of reference

9. In accordance with Security Council resolution 1549 (2004), the Secretary-General appointed a Panel of Experts on Liberia to undertake the following tasks:

(a) To conduct a follow-up assessment mission to Liberia and neighbouring States, in order to investigate and compile a report on the implementation, and any violations, particularly ongoing violations, of the measures referred to in paragraphs 2, 4, 6 and 10 of resolution 1521 (2003) including any violations involving rebel movements and neighbouring countries, and including any information relevant to designation by the Committee established pursuant to resolution 1521 (2003) of the individuals described in paragraph 4 (a) of resolution 1521 (2003), and including the various sources of financing, such as from natural resources, for the illicit trade of arms;

(b) To assess the progress made towards the goals described in paragraphs 5, 7 and 11 of resolution 1521 (2003);

(c) To monitor the implementation and enforcement of the measures imposed by paragraph 1 of resolution 1532 (2004), particularly in Liberia and in neighbouring States, as well as in other regions, and to provide the Committee with any information the Panel acquires which will facilitate the identification of individuals and entities of the types described in paragraph 1 of resolution 1532 (2004), and with recommendations on technical assistance Liberia and other States might require to implement the measures;

(d) To assess the socio-economic and humanitarian impact of the measures imposed by resolutions 1521 (2003) and 1532 (2004).

10. The Panel travelled to Liberia from August to November 2004, a midterm report was submitted on 23 September (S/2004/752) and the present report concludes the assessment.

Basis for the sanctions regime

11. In 2001, the Security Council sanctioned Liberia for its role in the conflict in Sierra Leone (resolution 1343 (2001)). To compel Liberia to cease destabilizing the region, sanctions were imposed on arms, diamonds and the travel of key individuals providing support to rebels. Sanctions were retained by means of resolutions 1408 (2002) and 1478 (2003) and extended to establish audit regimes to ensure that revenue from shipping and timber was used for legitimate purposes (resolution 1408 (2002)). To further increase pressure, the Council extended sanctions to timber products as from July 2003 (resolution 1478 (2003)). Former President Charles Taylor went into exile in Nigeria in August 2003, and was replaced in October 2003 by the National Transitional Government of Liberia, which was and remains composed of the three previously warring factions (LURD, MODEL and the former Government of Liberia). The Security Council remained concerned that the Comprehensive Peace Agreement that established the National Transitional Government was not universally implemented and the linkage between natural resources and that the proliferation of arms could be a major source exacerbating conflict in West Africa. Therefore, the Council renewed, on a revised legal basis, the sanctions on arms, diamonds, timber and the travel of key individuals (resolution

1521 (2003)) and, further, required all States to seize relevant assets of Taylor and his associates, as designated by the sanctions Committee (resolution 1532 (2004)).

Liberia and regional stability

12. More than a year since the National Transitional Government assumed power, most Liberians have seen little improvement in their quality of life. Liberia still has no public electric, water and sewage utilities, even in the capital, Monrovia, where more than 1 million increasingly frustrated people live. Unemployment is estimated at 85 per cent and corruption remains widespread. Under these conditions, the riots in Monrovia of 29 October, which left 16 persons dead, are likely to recur.

13. Most Liberians support the response to the riots by UNMIL. The Mission remains hampered by the Council mandate, however, which does not provide it with full executive authority allowing, for example, the arrest of those undermining peace or failing to disarm.

14. In summary, the overall security situation remains tense. Disarmament and demobilization have concluded, and the warring factions have been officially dissolved, but most ordinary Liberians are jobless and upset that they have not seen greater gains in their living conditions. UNMIL deployment is completed, but its limited mandate undermines the Mission's ability to exert authority throughout Liberia.

Acknowledgements

Assistance from the National Transitional Government of Liberia and UNMIL

15. The Panel is grateful for the assistance provided by the various ministries and agencies of the National Transitional Government of Liberia and the United Nations Mission in Liberia, especially in the areas of security, transportation including aircraft, and administrative and logistical support.

Assistance from international and regional organizations

16. The Panel received useful cooperation and assistance from several international organizations including the United Nations Mission in Sierra Leone (UNAMSIL), the European Commission, the Economic Community of West African States (ECOWAS), the Environmental Foundation for Africa, the International Rescue Committee, Médecins sans Frontières (France and Belgium), the United Nations Development Programme (UNDP) Liberia, the Office for the Coordination of Humanitarian Affairs, the Humanitarian Information Centre, Monrovia, the Office of the United Nations High Commissioner for Refugees (UNHCR), Talking Drum Studios, the World Food Programme (WFP), the International Committee of the Red Cross (ICRC), the Department for International Development (United Kingdom), the Ministry of Foreign Affairs of the Netherlands, the Netherlands Committee for the World Conservation Union, the United States Agency for International Development (USAID), ASECNA, the International Civil Aviation Organization (ICAO), Amnesty International, Green Advocates, the Sustainable Development Institute, Global Witness, the Save My Future Foundation, the Save the Children Fund (United Kingdom), the Foundation for International Dignity, the International Transport Workers Federation, the Forestry Development Authority,

Liberia Forest Reassessment, Liberia Transitional Initiatives, Development Associates International, Fauna and Flora International, Conservation International, the Royal Institute of International Affairs and the United Nations Peacebuilding Support Office in Liberia.

Assistance from private commercial enterprises

17. The Panel received useful cooperation from a number of private enterprises, such as the Oriental Timber Company (OTC) and the Inland Logging Company, and from Rudolph Merab, President of the Liberian Timber Association.

Standards of verification

18. The Panel used the same high evidentiary standards in its investigations as in its previous reports. Wherever possible, the Panel relied on fully authenticated documentary evidence. Where this was not possible, the Panel required at least two credible and verifiably independent sources of information to substantiate a finding. Where necessary, allegations against States, individuals and enterprises were put to those concerned to allow them the right of reply. In its efforts to present only irrefutable facts, the Panel has either omitted or clearly identified as unconfirmed all information for which it has not been able to find proper evidence.

Composition of the Panel of Experts

19. The Panel of Experts consisted of a timber expert, Arthur Blundell (Canada); a civil aviation expert, Atabou Bodian (Senegal); an expert with Interpol investigative and arms experience, Damien Callamand (France); a diamond expert, Caspar Fithen (United Kingdom of Great Britain and Northern Ireland); and an expert on humanitarian and socio-economic aspects, Tommy Garnett (Sierra Leone) (see annex I). Mr. Bodian was designated as the Chairman of the Panel. Assistance on financial matters was provided by a consultant, Rajiva Sinha (India).

II. Overview of the socio-economic and humanitarian situation in Liberia

20. The processes of social and economic recovery in Liberia continue to make very slow progress, given the fragile political and security situation in the country, which remains wanting in many respects. The optimistic anticipations of a post-civil-war era in Liberia have yet to be realized. Despite encouraging economic projections by various institutions, including the International Monetary Fund (IMF) early in 2004, the vast majority of Liberians remain poverty-stricken as the country still faces monumental development challenges related to weak and disunited institutions of governance, human rights and the rule of law; destroyed capital and social infrastructure; national and subregional insecurity; increasing prevalence of HIV/AIDS; slow pace of economic and social reforms; unfavourable environment for private sector development; resettlement of internally displaced persons, returnees and refugees; and United Nations sanctions on diamond and timber exports.

21. Bleak as the situation may seem, the challenges outlined are not insurmountable. The main obstacle that Liberians, and to a large extent the

international community, have to contend with for the foreseeable future is the apparent lack of commitment on the part of certain key players in transitional institutions of governance to address those challenges in a comprehensive way.

22. In nearly all discussions and interviews held by the Panel with donors, humanitarian relief or development agencies, the business community and a wide cross-section of the Liberian population, grave concerns were expressed about the persistence of widespread corruption and the lack of transparency and accountability in certain areas of the public sector. Furthermore, published information and surveys by the news media and civil society advocacy groups strongly suggest that the capacity of the National Transitional Government for good governance is being critically undermined by factional politics, and that several of its key players are opportunistic individuals focused on consolidating their power base or accumulating as much wealth as possible before the general elections proposed for October 2005 and the return to full democratic government. The National Transitional Government is perceived by many Liberian citizens as incapable of providing even the most basic of social services, and it relies almost entirely on the international community, particularly United Nations agencies and their partners, to cater for public health, education, food security and infrastructural rehabilitation. The prevailing low level of public confidence in the National Transitional Government and the National Transitional Legislative Assembly, so amply demonstrated in recent months, seems to confirm the growing perception in Liberia and some members of the international community that the country's biggest problem at present is not economic sanctions; it is rather the predominance of non-reform-minded individuals within the Transitional Government and the consequent acute shortage of political will to proactively and vigorously pursue the reforms needed for the establishment of transparent systems, which would ensure the lifting of economic sanctions and the resumption of timber and diamond exports, for the greater good of all Liberians.

23. Prior to the official commencement on 1 October 2004 of the facilitated return of over 500,000 internally displaced persons and the repatriation of about 300,000 Liberians from neighbouring countries to their homes of origin, the United Nations, other humanitarian relief agencies, primarily UNHCR, and their partners embarked on a series of repatriation preparedness projects that focused largely on infrastructural rehabilitation and construction activities in communities and along the routes of return. At the same time serious concerns abound regarding the general state of readiness to receive and adequately provide for this influx. An already dire socio-economic and humanitarian situation is compounded further by an influx of thousands of Ivorian refugees, now crossing the border into Liberia following the resumption of hostilities in the two-year-long conflict in Côte d'Ivoire. Their numbers will increase if the conflict escalates.

III. Assessment of the socio-economic and humanitarian impact of sanctions

24. The increased accessibility to rural Liberia following the disarmament of ex-combatants and the deployment of peacekeeping troops enabled the Panel to make several monitoring and assessment visits to all of the country's 15 counties. While the deplorable road conditions and security concerns in the more remote parts of

rural Liberia restricted travel overland, the Panel was nevertheless able to undertake fairly detailed assessments of the current humanitarian and socio-economic conditions in the key diamond-mining and logging concession areas of Grand Bassa, Lofa, Maryland, Nimba, River Cess and Sinoe Counties.

25. The Panel, with the assistance of a team of local consultants, recruited through UNMIL, visited several village communities and urban centres in or near former logging concession areas to observe the current status of local security, civil administration, economic activity, public infrastructure and social services, including those previously sustained by the logging companies, such as hospitals, clinics, schools and roads. During the visits, questionnaires were administered to approximately 1,500 individuals, and focus group discussions were held in 50 communities in concession areas, to determine their perceptions of the benefits and/or problems related to the mining and logging industries (see annex II for a detailed analysis of the responses).

26. The Panel also contacted several governmental agencies and private enterprises with a view to reviewing existing records to determine, to the extent possible, the amount of revenue previously derived from the diamond and logging industries and the proportion allocated for the provision of social services. Information was also requested from various national and international humanitarian relief and development organizations, civil society groups and community-based organizations, to allow some analysis of the level of humanitarian assistance and social services provided to the Liberian people during the period of sanctions.

27. The findings of those assessments have been summarized as follows:

A. Security and civil administration

28. Following the deployment of UNMIL troops and civilian police and the official completion of disarmament and demobilization throughout Liberia, confidence in the security status and peace process has grown significantly in the countryside, as evidenced by the commencement of the facilitated return of internally displaced persons and refugees to their homes. Recent clashes late in October between supporters of rival factions led to chaos in Monrovia, however, forcing UNMIL to impose a curfew regime that is still in place.

29. Many people interviewed said that harassment and intimidation by ex-combatants, a common occurrence prior to disarmament, have to a large extent ceased. However, it is worth noting that, during the visit to Sinoe County, the assessment team witnessed an incident in which ex-fighters from Grand Kru County, who had travelled to Greenville for disarmament, took to the streets and forcibly carried away goods belonging to traders in the city in protest, according to them, against their prolonged stay in Greenville without being disarmed. UNMIL troops quickly brought the situation under control. Also in Sinoe County, an unknown number of armed ex-combatants, estimated at 1,000 to 5,000, are reported to have set up camp in the Sapo National Park and to be engaged in illegal mining, hunting and pit-sawing activities. According to officials of the National Transitional Government, the local MODEL commander in Greenville had granted permission for the park's occupation by the squatters because they were hungry and jobless and had nowhere else to go. This situation has yet to be resolved.

30. In Lofa County, it was observed that the LURD ex-combatants appeared to wield significant control over the areas visited during the assessment. This was confirmed during one of the focus group discussions held in Borkeza, a town on the border with Guinea, where the residents expressed concerns about their safety, saying, "there are still plenty more arms around us and the presence of UNMIL is not fully felt in our area." In Zorzor, the team was present when a LURD-appointed local official insisted that an immigration officer assigned to work in Zorzor by the National Transitional Government would not be allowed to take up his assignment in the area, on the grounds that the immigration officer had wronged him in 1997. Ethnically-based differences between the Lormas and Mandingos were also apparent.

B. Economic activities

31. The local economies in all those communities visited that previously enjoyed local employment, trade and related opportunities provided by the logging industry have, since the imposition of timber sanctions, been dependent largely on subsistence agricultural activities and small business enterprises, particularly petty trading. Humanitarian interventions in recent months have also played a significant role in sustaining livelihoods in those communities. Small- to medium-scale diamond and gold mining activities have been carried out in parts of Nimba, Lofa and Sinoe Counties, while pit-sawing for the domestic market has grown significantly. In the area of cash crop farming, tens of thousands of acres of privately owned rubber, coffee, cocoa and oil palm plantations, which provided stable employment and income for many rural households prior to the conflict, now lie abandoned, owing to mass displacement of the rural populations and urgently need rehabilitation to restore their pre-war productive capacities.

32. Now that most of the country is fairly secure, community infrastructural and social rehabilitation programmes are gaining momentum as more and more displaced persons and refugees return to their homes. Currently, the main providers of meaningful employment opportunities in the areas assessed, which are also among the main returnee areas, are the United Nations agencies, non-governmental organizations and ICRC, all of which are supporting a wide range of projects in health, water and sanitation, education, agriculture, emergency relief, community empowerment, food security, peacebuilding, governance, shelter construction and HIV/AIDS. Key donors to Liberia's recovery programme are the European Union and USAID.

33. According to available statistics from the Monrovia-based Humanitarian Information Centre, the United Nations agencies and their international non-governmental organization partners collectively employed 4,912 national staff as at 30 September 2004. Twenty-five out of 42 listed international non-governmental organizations employed 3,822 national staff with a 2004 programme value of $76.5 million. Budgeted national staff salaries amount to $5.8 million and the direct and indirect beneficiaries of the projects supported by the 25 non-governmental organizations number 2.2 million and 3.3 million, respectively. This programme budget represents less than half of the total investments earmarked for 2004 in the Results Focused Transition Framework that resulted from the Liberia joint needs assessment, conducted in December 2003, in preparation for the Liberia Reconstruction Conference in February 2004. As at mid-August 2004, about $245

million of the $520 million pledged at the Conference had been disbursed to Liberia. The newly released first edition of a newsletter by the Framework Implementation Monitoring Committee highlights the results achieved thus far in all the 10 clusters of the Framework.

C. Social services

34. According to the *Liberia Economic Review (2001-2002)* published by UNDP, the Government of Liberia, under President Taylor, reported total expenditure incurred in 2001/02 of $82.81 million, yielding a budget deficit of $11.01 million. Of that amount, capital transfers accounted for 35 per cent, personnel services 22 per cent; goods and other services 16.3 per cent; and current transfers and subsidies 11.4 per cent. It is worth noting that personnel services (wages and bills) were fully funded during the period, yet the Government had six months of salary arrears by the end of the fiscal period. The same Government indicated that the prevailing civil conflict was burning up substantial amounts of revenue and that this was responsible for the low to zero funding of social services and community development. At the same time, it was evident that social services were operating minimally, owing mainly to assistance from the donor community, particularly United Nations agencies, the European Union, USAID and non-governmental organizations.

35. Against this background, the assessment of available social services in the key logging concession areas (Grand Bassa, Lofa, Maryland, Nimba, River Cess and Sinoe Counties) was undertaken first and foremost to determine to what extent logging companies provided, or contributed to the provision of, basic social services to the communities and, secondly, to establish their current status. The team focused primarily on health, education and public infrastructure, especially roads. Owing to the difficulty, sometimes the impossibility, of accessing comprehensive data about social services from official sources in Monrovia, information about the number and status of facilities was acquired either through direct inspections by the assessment teams, or from interviews with local government officials and non-governmental organization personnel and in focus group discussions attended by a cross-section of community members, including local business people and former employees of logging companies. Therefore, the data presented below are representative only of the accessible parts of the counties visited and are intended to provide some clarity about the overall picture.

Health

36. A total of 10 hospitals and 108 clinics or health centres were assessed in the six counties servicing an estimated 500,000 to 1 million people. All the hospitals were open and functioning, although a number of them only partially. Of the 108 clinics and health centres, only 60 were functioning and the others remained closed because of extensive damage caused to the structures during the latest crisis.

37. All of the hospitals and about 90 per cent of the clinics are public facilities owned by the Government of Liberia but currently maintained by non-governmental organizations, missionary groups and other humanitarian agencies; they are complemented by a small number of privately run clinics and health centres. Although there were many complaints about poor service and the lack of sufficient

drugs, all hospitals and most of the clinics are providing free medical services to all persons able to gain access. No statistics were available on the number of beneficiaries of individual health facilities except in one district in Lofa, Zorzor, where the team learned that the hospital was catering to the district's estimated 23,000 inhabitants.

38. In all of the areas assessed, the team learned that the logging companies that operated during the past 14 years in the areas did not provide any social services as previously claimed. One notable exception was the Oriental Timber Company, which from early 2000 until mid-2003 operated the Stephen A. Tolbert Memorial Hospital, in Buchanan, mainly for its employees, although the majority of the company's skilled labourers were non-Liberian citizens. Non-employees could be treated, but for fees that many of the local inhabitants could not afford. The hospital currently is managed by a non-governmental organization, serving the public without charge. The team also learned from interviews with former logging company employees in Sinoe County that, in the 1980s, one logging company, the Liberia Timber and Plywood Company, operated a clinic in Greenville for its staff and beneficiaries, but it closed down at the start of the war in 1990 and was never reopened.

Education

39. The assessment team was able to visit or acquire accurate information about 510 schools and vocational training institutions in the six counties mentioned above. While all of the schools assessed were either State-owned or run by missions or private entities, more than 50 per cent of them were partially or completely destroyed and some of the schools are currently being rehabilitated or renovated by non-governmental organizations. Of the schools that were open, nearly all lacked materials and did not have enough trained teachers. School authorities blamed the severe lack of teachers on the non-payment of public school teachers. In many cases, teachers had not received their salaries for the past 12 to 24 months. Some teachers complained that salary cheques paid out in Monrovia often did not reach the beneficiaries. Enquiries about support to schools and other educational institutions by logging companies in the areas visited revealed that no logging company-operated schools have existed since 1990. Several former logging company employees interviewed indicated that their former employers did not provide any educational benefits for them or their dependants. The team found evidence of some anecdotal cases, as follows:

40. In Grand Bassa County, a school authority reported that in 2002 the Oriental Timber Company provided two monthly stipends of $300 and 20 bags of rice to the Cestos High School.

41. The Maryland Wood Processing Industries, in 2002, undertook partial renovation of the only college in Maryland County, William V. S. Tubman College of Technology. In the same year, the Maryland Wood Processing Industries donated $500 to the Cape Palmas High School.

Roads

42. The assessments were done in August and September, at the height of the rainy season, when the road conditions are generally quite bad. The team found that the biggest problem faced by rural communities during the rainy season and part of the

dry season is the lack of vehicular transportation for commuting between villages and accessing health facilities and markets in towns. Conversely, the delivery of much-needed aid to remote communities is severely limited by the deplorable road conditions, which are aggravated by the rains but are significantly the result of substandard methods of road construction and a lack of regular maintenance. For example, during focus group discussions with various communities, including former logging company workers, in Sinoe County, it was revealed that more than 10 logging companies operated in Sinoe. The team was informed that, with the exception of the Buchanan — Cestos highway constructed and maintained regularly by OTC, nearly all roads built or maintained by the other companies in the concession areas were below standard and were intended mainly to ensure access by the logging trucks during their operations in the dry season. Round logs were regularly used to construct most of the bridges and needed replacing or reinforcing every so often. Many agreed that, prior to sanctions, the logging companies did help to make the roads passable for the drier parts of the year, but warned that logging companies operating in those areas in the future will make the same mistakes, unless the government authorities take a proactive stance in ensuring better standards of road construction and maintenance by such companies.

D. Human development

43. Prior to the escalation of the war in 2002 and the imposition of timber sanctions in July 2003, there was already a downward trend in the growth pattern of Liberia's economy, characterized by almost non-existent government intervention in the provision of basic social services. Poverty and social deprivation deepened further, UNDP estimating absolute poverty at 76.2 per cent — indicating survival of three quarters of Liberia's population on less than $1.00 per person per day. Extreme poverty stood at an estimated 52 per cent of people surviving on less than $0.50 per person per day.

44. While there are now encouraging signs of an upward trend in Liberia's economic growth, kick-started by massive investments in peacekeeping and humanitarian relief operations, the human development status of Liberians remains very low. The human development index recently released by UNDP does not list Liberia, but Sierra Leone is ranked 177th of the 177 countries listed. Well over 80 per cent of Liberia's working age population are unable to find gainful employment and a similar proportion of the entire population live in poverty with little or no access to clean water, electricity, proper health care, sanitation and good quality of education and vocational training opportunities. The prevalence of HIV/AIDS in Liberia is now estimated at 8.2 per cent, while life expectancy stands at 48 years and infant mortality at an all-time high — 117 per 1,000 live births. The expected return of more than 500,000 Liberian refugees and internally displaced persons during the next year will further compound an already difficult situation.

E. Public and private sector employment

45. The total labour force in Liberia is currently estimated at 1.3 million. According to the UNDP *Liberia Economic Review (2001-2002)*, the Ministry of Labour in 2001 recorded total employment as 522,519 or 49 per cent of a labour force estimated at 1.05 million at the time. Of that figure the formal employment sector accounted for 132,519 or 25.4 per cent of the employed. The government sector accounted for 44 per cent of formal sector employment, while the informal sector accounted for 74.6 per cent of total employment, which was 30 per cent of the labour force. Currently, the informal sector (petty trading) is the main alternative coping mechanism and source of livelihood for the vast majority of Liberians, many of whom are crowded in slum settlements and displaced camps around Monrovia and other urban centres. Employment creation appears to be hampered by structural and policy limitations that remain to be addressed, despite the overall improvement in the security situation. While the United Nations agencies and non-governmental organizations appear to provide the most lucrative employment opportunities at present and employ about 5,000 to 6,000 nationals, the overall formal sector unemployment rate could not be established since the Ministry of Labour was able to provide only 2001 data as the most recent. No survey to determine the current level of unemployment in the country has been undertaken so far.

* * *

Observations

46. During discussions and interviews with a cross-section of Liberian citizens and members of the international community, it emerged that the loss of employment opportunities for the estimated 5,000 to 8,000 Liberians due to the sanctions on timber remains a serious issue in the timber-producing areas. At the same time, most people emphasized that sanctions on timber must not be lifted before the installation of a democratically elected government. The commonly expressed rationale for this view is that the National Transitional Government remains obviously factionalized and has yet to demonstrate its commitment and political will to lead the country out of its present difficult circumstances. Therefore, if sanctions are lifted now, especially on timber and diamonds, revenue generated will be mismanaged and used for the benefit of a few well-placed individuals and groups, as was done in the past.

47. Following the full deployment of UNMIL peacekeeping troops and the successful completion of disarmament and demobilization, donor support to Liberia through United Nations agencies and non-governmental organizations is providing the main stimulus for economic activity as the delivery of humanitarian assistance continues to increase. However, the uncertainties surrounding the peace process and the growing instability in neighbouring Côte d'Ivoire appear to be undermining the creation of an enabling environment that can attract significant foreign investments in the private sector, a necessary prerequisite for economic recovery and sustainable development prospects for Liberia.

48. The value of the timber sector in Liberia remains very difficult to calculate, because of limited and inconclusive data. There is considerable uncertainty associated with variables such as the remaining area of forest suitable for logging, the average density of commercial timber in those forests, and the future value of the timber. Nonetheless, sensitivity analyses suggest that the sector could generate

between $50 million and $100 million per year, which would contribute significantly to the GDP and tax revenues of Liberia. However, a complete audit of the country's remaining forest resources would be a necessary prerequisite for realistic estimation of the potential economic benefits, including employment opportunities and spin-offs, from the timber sector.

Recommendations

49. The Panel recommends that the international community, through its implementing agencies, increase its financial assistance to allow the creation of alternative employment in the key logging concession and diamond-mining areas. Such assistance could include support to projects for the rehabilitation of cash crop plantations, road rehabilitation and maintenance, land reclamation at degraded mining sites and reforestation of over-harvested concession areas.

50. The Panel recommends that the international community sustain its financial assistance for the provision of urgently needed social services, including the rehabilitation and maintenance of hundreds of health and educational facilities that were destroyed during the conflict, especially in the former logging concession areas.

51. The Panel recommends that the National Transitional Government of Liberia, the donor community, United Nations agencies, international non-governmental organizations and conservation organizations maintain their support to the Forestry Development Authority in efforts to speed up reform of the forest sector and rebuild the institutional capacity of FDA, especially the technical capacities of its personnel, in preparation for sustainable forestry practices, after the lifting of sanctions.

52. The Panel recommends that UNMIL be adequately empowered to take a proactive stance in identifying and publicizing high-level corruption and other serious violations of public trust, so as to emphasize the importance of and urgent need for accountability and transparency as means of restoring public confidence in the capacity to govern of the National Transitional Government, as well as encouraging popular participation in the reform and institution-rebuilding processes in post-war Liberia.

IV. Weapons trafficking

General findings

53. The Panel has found no evidence of organized deliveries of arms and ammunition to any faction in Liberia for the purpose of fuelling conflict or disrupting the peace process.

54. The last delivery was seized on 7 August 2003 at Robertsfield International Airport. The follow-up investigations concerning that flight revealed that it was Ali Kleilat, who owns an aviation company in Côte d'Ivoire, who contacted the Moscow representative of the company Air Services, Alexander Belvol, to arrange the cargo flight from Tehran to Liberia. Then the representative of Air Services in

Moscow contacted Rus Aviation in Sharjah, through its manager Saleh al-Aroud, to make the arrangements.

55. Reliable sources indicated to the Panel that persons coming from Guinea and Sierra Leone intended to participate in the disarmament, demobilization, rehabilitation and reintegration process in Liberia. The motivation seems to be to receive money as scheduled in that process in exchange for the weapons and ammunition they turn in.

56. Investigations revealed in particular that in Sierra Leone 9,364 loose items of assorted ammunition were recovered by the Sierra Leone police in Jendema (Pujehun District), which lies within walking distance of the Liberian border. The ammunition was, as stated by those persons arrested, from stocks in Freetown, and was sold by the local police charged with securing it. The 17 persons arrested claimed to be either LURD rebels or Sierra Leonean former combatants.

57. The number of rounds recovered, when divided by the minimum number of bullets required to enter the demobilization and disarmament process in Liberia (150), would have commanded almost $20,000 in disarmament inducements. Other unsuccessful attempts to obtain ammunition, especially grenades, from Sierra Leone armed forces stocks in Freetown were also brought to the attention of the Panel.

58. Moreover, several sources reported that many individuals used non-recognized border crossings to enter from Guinea to reach the demobilization and disarmament centre in Voinjama (Lofa County) and surrender weapons. In Voinjama, they would then receive the first $150 tranche of their disbursement payment.

59. The Panel also received unconfirmed reports that heavy weapons such as double-barrelled anti-aircraft guns were seen in September 2004 being moved over the border towards the Guinean border town of Macenta.

60. The failure of the disarmament process in Côte d'Ivoire on 15 October 2004 led to a rapid deterioration of stability in that country.

61. The Security Council by resolution 1572 (2004) imposed an arms embargo on Côte d'Ivoire. The Panel stresses that porous borders and the ethnic affinity of various groups along the border between Côte d'Ivoire and Liberia have facilitated the exchange and transportation of both persons and weapons.

62. The Panel recommends that particular attention should be paid to the borders between Côte d'Ivoire and Liberia. Refugee movements to Liberia from Côte d'Ivoire may also contribute to destabilizing the fragile peace in Liberia.

Status of the disarmament, demobilization, rehabilitation and reintegration process

63. The demobilization and disarmament process commenced on 7 December 2003 and officially ended on 31 October 2004. Final gathering and analysis of data are still ongoing within UNMIL, but more than 95,000 combatants were disarmed and more than 27,000 weapons surrendered.

64. These figures are to be compared with the 25,000 weapons (for 75,000 ex-combatants) collected in Sierra Leone by UNAMSIL from 2000 to 2003 and the 19,000 weapons collected in Liberia during the period 1997-1999. Those three

phases of disarmament have removed more than 70,000 weapons from circulation in the region, a considerable achievement.

65. It can be seen, therefore, that the number of weapons collected in the recent Liberian disarmament process falls broadly into line with previous regional disarmament programmes.

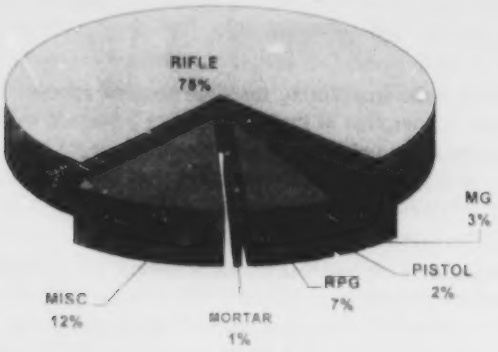
66. It should be borne in mind that during the disarmament process in Liberia, from 1997 to 1999, almost 50 per cent of the assault rifles collected were western-manufactured M-16 type weapons, only 25 per cent representing AK-47s. However, the most recent disarmament programme revealed that the AK-47 was by far the most common weapon in circulation, most of them manufactured in Eastern Europe or the former Soviet Union.

67. Estimating the number of weapons held by each faction and comparing those figures with the number of weapons surrendered by each faction has proved to be difficult. Nevertheless, the Panel is aware that in 2002 the Government of Liberia imported 5,000 assault rifles with sequential serial numbers. UNMIL subsequently identified 3,175 of those weapons during the disarmament process, which is a return rate of around 63.5 per cent. It is likely that more of those weapons will be identified after the completion of the comprehensive analysis of the disarmament process. Given that the weapons were brand new and would be most likely to be retained by those reluctant to surrender them, the figure of 63.5 per cent gives a useful benchmark for the return rate as a whole.

68. The most significant proportion of weapons surrendered were assault rifles (75 per cent of the total). Information gathered by the Panel with assistance from the Joint Monitoring Analysis Committee of UNMIL in November 2004 indicates that only 168 mortars were surrendered in a total of more than 26,000 weapons. This does raise some concerns given the fact that LURD made extensive use of mortar barrages during many of its offensives. The large quantities of mortar ammunition that were surrendered during the demobilization and disarmament process further highlight this discrepancy.

69. The diagram, compiled by the Joint Monitoring Analysis Committee during its last analysis (27 October 2004), shows the number of weapons surrendered by type.

Weapons surrendered from 7 December 2003 to 27 October 2004



Rifles	20 036
Machine guns	699
Pistols	578
Rocket-propelled grenade launchers	1 759
Mortars	168
Miscellaneous	3 135
Total	26 375

Weapons caches

70. Weapons searches, which began in Monrovia in October 2003, continue to the present day. The reach of search operations has steadily extended into the interior of Liberia as UNMIL deployment increased during the disarmament, demobilization, rehabilitation and reintegration programme. However, while United Nations civilian police and UNMIL military intelligence officers have received information on the location of caches on a regular basis, some known caches have proved elusive. Nevertheless, UNMIL has uncovered significant caches of mortar shells, all calibre, small arms, and three heavy machine guns and spare parts for them.

Conclusions and recommendations

71. The Panel findings indicate that recent flows of arms into Liberia are limited and are mainly for the purpose of becoming part of the Liberian disarmament, demobilization, rehabilitation and reintegration process. Nevertheless the porous nature of the borders, the existence of arms caches and the recent riots in Monrovia all indicate that the situation remains fragile and tense. The destabilizing events which occurred in Côte d'Ivoire raised more concerns about the possibilities of weapons trafficking in the subregion. The Panel therefore recommends maintaining the provisions of paragraph 2 of resolution 1521 (2003) and paragraph 1 (a) of resolution 1549 (2004). The Panel recommends also reinforcing surveillance of the borders in the whole subregion.

V. Civil aviation and travel ban

A. Civil aviation

Analysis of flights

72. The Panel of Experts on Liberia analysed air traffic data for the West African subregion. The Panel has not identified, in the movements of aircraft to Monrovia, any suspicious flights or flights capable of transporting weapons.

73. UNMIL, which is present at almost all of the country's local airfields, stated that it had not observed anything unusual. Nor has the Panel identified any Katex flights among the flights to Guinea, especially to Conakry. The most recent Katex flights to Conakry were in December 2003 and January 2004, after the ceasefire in Liberia.

New registry

74. Liberia, which opened a new registry in 2003, has to date registered only two aircraft, both belonging to Duane Egli's International Air Services. According to the Civil Aviation Authority, those aircraft are currently working in Bangladesh for a local company called Z Airways.

Illegal registry of aircraft

75. The old prefix EL allocated by ICAO to Liberia for the registration of its aircraft was banned by the Security Council (resolution 1343 (2001)) after several Liberian-registered aircraft were involved in illicit arms shipments. The Panel has been informed that an Antonov-8 aircraft with registration EL WVA is currently operating in the Democratic Republic of the Congo for the Compagnie aérienne des Grands Lacs. The Panel has also been informed that the previous registration number of that aircraft, 3C-QQE, belongs to Equatorial Guinea. That aircraft was mentioned in the report of the Group of Experts on the Democratic Republic of the Congo (S/2004/551) in connection with arms shipments in that country. Liberian civil aviation officials questioned were unaware of the existence of the aircraft, which has been using a false Liberian certificate of airworthiness for its maintenance since 2001. The Congolese Civil Aviation Authority informed the Panel that it was totally unaware of resolution 1343 (2001), by which all aircraft with a registration prefix beginning with EL were grounded. It immediately put a stop to the aircraft's activities in November 2004. The aircraft is on the ground until further notice at Goma Airport. According to information received by the Panel, the registration EL-WVA was allocated to Victor Bout's company, Air Cess.

Aircraft put at the disposal of Charles Taylor

76. The Boeing-727, registration 3D-JMN (Swaziland), whose activities were described at length in our previous report (S/2004/396 and Corr.1), was sold by the American airline Alair, based in Weston, Florida, to CO-ZA Airways, a Congolese company. CO-ZA Airways is jointly managed by Jean Pierre Singo, a Congolese, and Jean-Pierre Gilson, a Belgian. According to one of the joint managers, Jean Pierre Bemba, a Vice-President of the Democratic Republic of the Congo, is a customer. The case of this aircraft, previous registration N 511DB (United States of America), remains a source of concern. In the above-mentioned report, the Panel

indicated that Ali Kleilat had purchased it from an American company called Interflight Ltd., which has a branch in Mbabane, Swaziland. It still belonged to Kleilat when he left Liberia for good in August 2003 for Nigeria. According to the information obtained by the Panel, it was a Nigerian crew that flew the aircraft to the Democratic Republic of the Congo in May 2004 after its purchase by CO-ZA Airways. The Panel asked the Nigerian authorities to explain what the aircraft had done in Nigeria from its arrival there in August 2003 until last May. The Panel has not yet received a response. The Congolese registration of that aircraft is 9Q-CBF and its airworthiness certificate indicates that it is used for freight and passenger transport.

UNMIL and civil aviation in Liberia

77. After the identification in various reports of the Panel of shortcomings in the area of civil aviation, UNMIL and the Liberian civil aviation authorities agreed to cooperate to ensure better application of international standards and the recommended practices of ICAO. For example, to support the ongoing reforms of the National Transitional Government, UNMIL has undertaken responsibility for the key areas of security and safety at Robertsfield International Airport by involving the United Nations civilian police.

78. The domestic airports of Liberia are still not open to public air traffic. Only UNMIL is using those airports, most of which have only the most basic facilities (runway, parking area, rudimentary terminal).

79. Similarly, the Spriggs Payne airfield in the heart of Monrovia is used only by flights of United Nations agencies such as WFP and UNHCR and some rare charter flights.

80. Furthermore, in order to strengthen its capacity and become a strong aviation administration, the current Liberian Department of Civil Aviation has introduced a bill designed to convert it into an autonomous agency, which, among other things, would allow it to use the income from its activities exclusively for the development of civil aviation.

81. It is recommended that UNMIL continue its collaboration with the Liberian civil aviation authorities.

B. Travel ban

82. The Panel analysed the movements of persons at Robertsfield International Airport for the period from 1 June to 5 November 2004. None of the persons mentioned on the travel ban list, except Mohamed Salame, seen on 8 August 2004 on his way to Abidjan, was on the airport's departure manifests. The Panel was informed that the Liberian immigration authorities are vigilant and are assisted by UNMIL, which has established a civilian police unit at the airport itself. However, several sources have informed the Panel that some of the persons on the travel ban regularly visit their mentor in Nigeria — which suggests that other subterfuges are also used.

83. The Panel raised the issue of the travel ban in its meeting with Abraham B. Mitchel, the Liberian official responsible for border-surveillance matters. He noted that two incidents had been reported to him. First, the case of Jewel Howard Taylor,

wife of Charles Taylor, who had been arrested at RIA when she arrived from Nigeria. The second case concerned Momo Gibba, who had tried to outwit the police by trying to pass himself off as Mo Jones before being stopped by Liberian immigration authorities.

84. Another problem raised with Mr. Mitchel was that of the elections. Everyone is sure that certain Liberians on the travel ban list will stand for the elections scheduled for October 2005, either because they really want to stand or because they want the travel sanctions lifted.

85. The Panel has also been informed that Gus Kouwenhoven has settled in the Republic of the Congo, where he is once again active in the timber business. According to our sources, he is thought to be based in Pointe Noire. His country of nationality, the Netherlands, is taking an interest in his activities.

86. The other individual on the travel ban and assets freeze list associated with logging is Joseph Wong. In July 2004, he was in Jakarta, Indonesia.

87. The following information was gathered about other persons on the travel ban list:

- Charles ("Chuckie") Taylor, Jr., the son of Charles Taylor, is believed to have taken refuge in Trinidad and Tobago.
- Ibrahim Bah, alias Balde, was seen in Burkina Faso in 2002.
- Baba Jobe is still in prison in his country of origin, the Gambia.
- Talal El Dine is also thought to have left the United States for Lebanon.
- Duane Egli is believed to be still in Belgium.
- Ali Kleilat was seen in Beirut in October 2004.
- Moussa Cisse has two passports, a diplomatic passport, No. 001546, date of issue 1 August 1999, expiration date 30 August 2001, showing date of birth 24 December 1944, at Ganta, Nimba County; and profession chief of protocol in the Executive Mansion. The second passport is an ordinary Liberian passport, No. 0058070, date of issue 10 January 2000, expiration date 9 January 2005. His name in the passport is Mamadee Kamara, date of birth 26 July 1946, at Gbarnga, Bond County.
- Copies of passports have been obtained for Benjamin Yeaten (annex III) and Coo Coo Dennis (annex IV).

Case of Mohamed Salame

88. Mohamed Salame, one of the individuals cited on both the travel ban and the assets freeze lists, was interviewed by the Panel in Abidjan. He is a perfect example of someone who cares little for the provisions of Security Council resolutions relating to the travel ban and the freezing of assets. From December 2003 to August 2004, Mr. Salame was seen more than 25 times, either leaving or arriving, in Brunei, Côte d'Ivoire, Ghana, Lebanon, Togo and the United Arab Emirates. Mr. Salame was interviewed over two days: on 19 October 2004 in the offices of the Ministry of Internal Security, Côte d'Ivoire, and on 20 October in Mr. Salame's home, an impressive villa located on the Avenue de Marseille, Abidjan. Although the Panel members have serious reservations about some of his claims, the statements made by Salame are summarized below (see box).

Case of Mohamed Salame

Nationality. Lebanese. Three years ago, however, he submitted an application to the Ivorian authorities to obtain that country's nationality.

Passports

- Ordinary Lebanese passport, No. 1622263, date of issue 24 April 2001, expiry date 23 April 2006.
- Togolese diplomatic passport, No. 004296/00409/00, date of issue 21 August 2002, expiry date 23 August 2007.
- Liberian diplomatic passport, No. 000275, date of issue 11 January 1998, expiry date 10 January 2000.
- A second Liberian diplomatic passport, No. 002414, date of issue 20 June 2001, expiry date 19 June 2003. In this passport he uses the name Ameri Al Jawad, born 18 October 1963 at Ganta, Nimba County, and gives his profession as a sales representative. He claims that this passport is not valid because he has not signed it.
- Our sources tell us that he also has an Ivorian passport, the contents of which the Panel has been unable to obtain owing to the current events.

Côte d'Ivoire. He was born in that country, on 22 September 1961, at Abengourou, where he owns forestry concessions and has greatly contributed to youth-development projects. He had no business dealings with the former President, Robert Guei; he only helped to establish relations between President Guei and President Charles Taylor.

Togo. This has been a very friendly country for him; President Gnassingbé Eyadéma, who appointed him ambassador-at-large, is almost like a father to him. His Togolese diplomatic passport was issued to him on the personal initiative of President Eyadéma. He stays in Togo from time to time but exercises no professional activities there.

Liberia. Rues the day when he first set foot there. He has done much for this country but owns no real estate there, although Bob Taylor, the brother of President Charles Taylor, gave him a signed authorization to exploit his Mohamed Timber Concession in Nimba and Grand Gedeh. That authorization is valid for a 25-year period and is renewable. Liberians have also sold concessions to him. His accounts at Citibank in Liberia have been closed down. He has been Ambassador Plenipotentiary of President Gyude Bryant since 2003, having previously held the same post under Charles Taylor.

Lebanon. His country of origin. He returns there from time to time but has no business activities in the country and no longer holds any bank accounts there.

Main activities. No major activities. Owns timber concessions in Côte d'Ivoire and Liberia.

Travel. He travels from time to time between Côte d'Ivoire, Lebanon and Togo.

United Nations sanctions. He will continue to travel provided that he does not use Liberian travel documents.

Assets. Claims to possess no assets, and stated to the Panel that the luxurious house where he lives is rented. His bank accounts are closed, both in Lebanon and in Liberia.

89. The Panel recalls that Mohamed Salame played a pivotal role in the smuggling of weapons to Côte d'Ivoire for the use of the former President, General Robert Guei, and the former President of Liberia, Charles Taylor. General Guei said that, when he took office, he wanted to replenish his depleted arsenal and the President of Liberia had supplied some arms and even sent an emissary (Salame). Salame offered his services and asked General Guei to sign the end-user certificate. Those weapons would then be divided between Côte d'Ivoire and Liberia. The General acknowledged that some of the ammunition had remained in Côte d'Ivoire but said that most of it had been sent to Liberia. The practical arrangements were made by Ambassador Salame. When the Panel contacted him he denied this. However, when the Panel interviewed Leonid Minin in prison in Italy, he credited Salame with assisting the Côte d'Ivoire part of the Aviatrend arms deal. (The Aviatrend arms deal in 2000 involved the transfer of 113 tons of 7.62-mm cartridges from Ukraine to Côte d'Ivoire; see S/2001/1015.)

90. The Panel does not understand how a person who is the object of international sanctions can have official functions such as ambassador-at-large or ambassador plenipotentiary. These functions require him to travel, so that he constantly violates Security Council resolutions, no matter which passport he has in his possession. The same applies to all those who have left Liberia to seek their fortune elsewhere.

91. The Panel recommends that the States that have established business relations with these persons should be reminded to implement the resolution.

Cooperation with Interpol

92. The Panel met representatives of Interpol on 10 November 2004. After briefings on the situation with the National Central Bureaus for the Africa Sub-Directorate and the Regional Bureaus Management Directorate, the Panel discussed possibilities for improving international cooperation by using Interpol networks and technology to enforce United Nations resolutions related to travel ban lists. Further discussions with the Fugitives Unit of Interpol and the Criminal Analysis Sub-Directorate highlighted the fact that such cooperation supposes an analysis of the legal and judicial aspects. The Panel agreed to issue a written statement on the subject to officially seize Interpol of this issue. As Interpol now has a permanent office at United Nations Headquarters in New York, it will organize a meeting of the heads of regional bureaus there, which the Panel sees as a good opportunity to raise the subject of cooperation in the enforcement of United Nations resolutions.

93. According to the Regional Bureaus Management Directorate, criminals in Africa use sophisticated weapons and operate in daylight. The question how they obtain those weapons and how the trade is organized is the subject of a strategic analysis project which will be communicated to the Panel on completion.

94. The Panel also met representatives of the Interpol Weapons and Explosives Tracking System, which will enable law enforcement agencies to "connect the dots" on investigations involving firearms and explosive incidents and enhance the tracing of firearms.

ECOWAS moratorium on small arms

95. The diplomats of the subregion interviewed by the Panel are concerned by the poor implementation of the ECOWAS moratorium on small arms. They report that they have heard rumours of arms deliveries by certain States members of ECOWAS, but that their respective capitals have not been informed in accordance with the provisions of the moratorium. Those diplomats remain convinced that the planned change of status, from moratorium to international legal convention, would make it possible to learn who is doing what and for what reason.

VI. Diamonds

96. The Panel continues to maintain a constructive relationship with the Liberian Ministry of Lands, Mines and Energy. However, while the Ministry continues to demonstrate commitment towards satisfying the requirements of the Security Council for the lifting of the current embargo on the export of Liberian rough diamonds, its efforts remain hampered by a lack of funding and institutional capacity.

General

97. Further to its visit to the region in August 2004, the Panel made an additional trip in November 2004. With the onset of the dry season, and increased levels of internal security in the wake of full UNMIL deployment and the completion of the disarmament programme, mining activity has begun to increase steadily. This trend is set to continue until the beginning of the next rainy season in July 2005. While some of the mining is licensed by the Ministry of Lands, Mines and Energy, much of

it is illegal, and recent reports indicate that production from those mines is being smuggled to the international market via neighbouring countries. New mining equipment, in the form of water pumps and washing plant in particular, was observed by the Panel at a number of sites in Gbarpolu, Grand Cape Mount, Lofa and Nimba Counties, suggesting that capital generated from the illicit trade in diamonds is now being reinvested locally by diamond mine supporters. Given that former combatants are now returning to the bush in search of work, and the fact that the Government lacks the functional capacity to control illegal mining, violations of the Security Council embargo on the export of Liberian diamonds are set to increase in the short to medium term.

Current patterns of mining activity

98. Improved weather conditions enabled the Panel to conduct further aerial and ground assessments of mining sites initially identified in Nimba County in August 2004 (see S/2004/752). Moreover, a complete aerial survey of mining activity along the entire course of the Lofa River was undertaken in November.

Nimba County

99. The site at Gbapa identified by the Panel in its midterm report (S/2004/752) is now highly developed and constitutes a sizeable, Class B alluvial diamond mine (see annex V). The Panel made a ground visit to the site late in October. By then the laterite overburden had been completely removed and a number of deep, well-cut pits had been sunk to a depth of 15 metres, down to the underlying layer of alluvial gravel. Significant quantities of gravel had been extracted which were in the process of being sieved and concentrated in a well-structured washing facility located close to the mine. At least five wide-bore water pumps were being used to keep water levels in the pits to a minimum so as to enable at least 150 diggers to continue to work efficiently. The mine is run by a company called Jungle Waters, owned by a local businessman, which used a D-6 Caterpillar earthmover to cut a 3-km road into the surrounding bush to open up the site.

100. The Panel informed the Ministry of Lands, Mines and Energy of this development immediately after the ground assessment was made. The Panel was subsequently informed by the Minister that action would be taken to curtail the operation. However, the mine owner argues that he is in possession of a valid mining licence and claims that any diamonds extracted from the site will be kept in a safe until such time as the United Nations embargo on the export of rough diamonds is lifted. While the Panel was unable to uncover any direct evidence to the contrary, this is, realistically, an unlikely scenario. Such a large mine requires constant input of capital to cover running costs, which suggests that revenue is being generated by the sale of diamonds to dealers and exporters. Diamonds are then exported illegally through either Guinea or Sierra Leone, or directly to Europe or the Middle East.

101. The Panel had hoped that, at the very least, the operation would have been scaled down after intervention by the Ministry of Lands, Mines and Energy. An aerial survey of the mine was therefore undertaken on 11 November, but it was found that mining at the site was continuing apace, indicating that the Ministry is currently finding it extremely difficult to assert any degree of control over the diamond industry in the interior. Moreover, national political machinations may well

be providing the owners of some of the bigger mines with a degree of protection from government action or investigation.

102. During the course of its investigations into the Gbapa mine, the Panel received information suggesting that its owner was running another large mine close to Bahn, about 8 kilometres to the south of Gbapa. An aerial survey of the region was undertaken and another mine approaching the proportions of the Gbapa site was identified. This information was duly passed on to the Ministry of Lands, Mines and Energy but, given its lack of authority and capacity, the Panel believes it is unlikely that it will be able to take any appropriate action at the present time.

Gbarpolu, Grand Cape Mount and Lofa Counties

103. During the recent rainy season, high water tables precluded most mining activity in the Lofa River basin. However, as water levels recede, diamond miners have begun to return to the region and to open up some significant sites, although, as yet, none match the mines at Gbapa and Bahn for size and manpower. On 12 November, the Panel flew over the entire course of the Lofa River from Voinjama in the north-west of the country to its Atlantic confluence. The majority of current mining activity lies between Wiesua and Lofa Bridge. Around 16 medium-sized alluvial mines were identified and photographed. A number were serviced by either one or two water pumps and were mostly mined by between 15 and 20 diggers. Given the nature of the broadly distributed alluvial deposits in the vicinity of the Lofa River, the Panel believes that there were many more small mines obscured by the dense forest canopy which the Panel was unable to view from the helicopter.

Diamond trading in violation of United Nations sanctions

104. Reliable sources have reported to the Panel that up to five small, ad hoc diamond buying offices have opened in Monrovia that are purchasing production from both Nimba County and the Lofa River basin. Many of these diamonds are passing through Sierra Leone, particularly those which bear the characteristics of goods originating from the Kamakwie region in northern Sierra Leone (see previous reports of the Panel). Recent reports suggest that some of these diamonds have passed in mixed parcels through the Sierra Leone Government Gold and Diamond Office, or through the Guinean Ministry of Energy and Mines, where they have received Kimberley Process certification, thus allowing them to be traded on the international market with ease.

Steps taken by the Government of Liberia towards meeting Security Council requirements

105. Because of the present problems of funding, there has been little progress by the Government of Liberia towards meeting Security Council requirements since the Panel's interim report was submitted to the sanctions Committee in September. Nevertheless, there have been some key developments:

(a) Late in October, the Panel accompanied a Liberian delegation to the Kimberley Process annual plenary meeting in Ottawa. The Liberian delegation was well received and arrangements were made for the visit of a Kimberley Process review mission to Liberia late in November 2004, although this has subsequently been postponed until 17 January 2005. It was agreed that the review mission would

visit the principal mining areas in Liberia, and evaluate the Government of Liberia's capacity for the implementation of the Kimberley Process Certification Scheme. This would include assessments of technical capability, as well as the durability and efficacy of internal and external control mechanisms.

(b) The United States has expressed an interest in providing some of the funding required by the Government of Liberia for the acquisition of equipment and the establishment of those bureaucratic structures necessary for full Kimberley compliance. However, the Government of Liberia has yet to produce an accurate costing of its needs for achieving full Kimberley compliance. While it has produced lists of equipment and outlines of necessary infrastructural development, it appears to be experiencing difficulty in achieving an actual, accurate financial costing of its outstanding requirements.

(c) The Government of Liberia is close to reaching an agreement with an international consultancy company which would conduct independent valuations of diamonds for export duty purposes.

Conclusions

106. The onset of the dry season, improvements in internal security and large numbers of former combatants available for itinerant labour have resulted in a marked increase in levels of both licensed and illegal diamond mining in Liberia. In consequence, increasing amounts of diamonds are being traded illegally on the international market in direct violation of Security Council sanctions.

107. Diamonds of Liberian origin are passing through neighbouring States where they are receiving Kimberley Process certificates, thus undermining the credibility of the Kimberley Process Certification Scheme in those countries.

108. The Government of Liberia currently lacks the operational capacity to control the illegal mining and smuggling of diamonds.

109. The Government of Liberia is struggling, as a result of acute funding shortages, to meet the requirements of the Security Council and the Kimberley Process.

Recommendations

110. The Panel recommends that the current embargo on the export of Liberian diamonds remain in force until Liberia is in a position to make a successful application for participation in the Kimberley Process Certification Scheme.

111. The Panel recommends that the international community take immediate steps to provide the necessary funding and technical assistance to enable the Government of Liberia to meet the requirements of the Security Council and the Kimberley Process Certification Scheme. Without such assistance, illegal production will increase and Liberian diamonds will undermine not only the efforts of neighbouring States to adhere to the requirements of the Kimberley Process but also the credibility of the global diamond industry.

112. The Panel recommends that UNMIL be given the authority to assist the Government of Liberia in asserting its control over its diamond-producing regions

until such time as Liberia is ready to participate in the Kimberley Process and United Nations sanctions are lifted. In particular, UNMIL could effectively map mining activity in the interior and deploy personnel to inspect licences and concession agreements. Placing pressure on illegal diggers would go some way towards controlling illegal smuggling. There is a precedent for this: UNAMSIL gave similar assistance to the Government of Sierra Leone as part of its successful attempts to legitimize and assert its control over the diamond industry of that country.

VII. Timber

Exports

113. There is general compliance with sanctions; there is no evidence of widespread exports of timber products. During overflights of Liberia's forests, visits to the four ports, and on-the-ground assessments in Maryland, Grand Cape Mount, Lofa and Nimba Counties, the Panel detected no evidence of industrial logging. United Nations civilian police and UNMIL officers have been extremely helpful in monitoring.

Domestic production

114. In contrast to the industrial logging, pit-sawing (processing logs using chain-saws) is increasing as the domestic market grows. The Managing Director of the Forestry Development Authority banned all pit-sawing effective 1 November 2004, in part because commanders of the warring factions were running the operations.

115. The total revenue from pit-sawing is unclear. FDA reports $14,700 in fees from pit-sawing from October 2003 to September 2004. However, FDA also granted tax exemptions to a great deal of the trade (see annex VI). At the Mount Barclay checkpoint, one of six major checkpoints around Monrovia, approximately 20 per cent of the traffic recorded by FDA had been given such gratis status (see table 1).

Table 1

Traffic in sawn timber (planks) at the Mount Barclay checkpoint from June to November 2004

	Mount Barclay checkpoint					*Liberia*
	Tax-exempt		*Taxable*			
	Shipments	*Planks*	*Shipments*	*Planks*	*Tax value (US$)*	*Total tax collected[a] (US$)*
June			3	1 400	467	1 573
July	7	2 165	16	5 925	1 975	3 029
August	0	0	3	550	183	284
September	4	1 300	9	2 900	967	not yet reported
October	5	1 207	18	5 825	1 942	not yet reported
November			4	1 300	433	not yet reported
Total	**16**	**4 672**	**50**	**16 500**	**5 500**	**3 313**

[a] For the entire trade in sawn timber in Liberia.

116. In the place of pit-sawing, the Managing Director is considering a salvage logging system. FDA has also permitted the operation of two sawmills to process abandoned and salvaged logs. One is an existing mill in Monrovia, the second permit is for a new Spanish mill in Buchanan, built with a reported $2 million investment. The Buchanan mill paid $5,000 in permit fees, but those fees are not recorded in the financial statements provided by FDA.

117. The National Transitional Government of Liberia provided FDA with $350,000 to reopen its five regional offices, but the offices have only a skeleton staff and are not operational.

Security

118. Security remains tenuous in the forest. In the regions where UNMIL is present, peacekeepers cannot engage in policing, as they do not have the mandate to arrest. At the six FDA checkpoints along the main roads into Monrovia, UNMIL can only assist the FDA inspectors. FDA does not report seizing any illegal wood or collecting any fines or penalties at the checkpoints.

119. To increase security in the forests, FDA collaborated with the United Nations civilian police to train 164 enforcement officers, approximately half of them as forestry officers, the other as protected-area officers. After graduating, the officers expressed a sincere desire to serve Liberians in protecting their forests (see annex VII).

120. The Managing Director has not deployed FDA employees into the field because of concerns for their security. Since the completion of disarmament on 1 November 2004, the Managing Director has however promised to start deployment, aimed at finishing by 1 March 2005. He has invited the Panel to return to Liberia at that time to assess progress.

Financial matters

121. Sanctions require that revenue from timber is not used to fuel conflict but for legitimate purposes for the benefit of Liberians. In resolution 1408 (2002), the Security Council originally requested an audit of the Liberian timber industry. The Forest Development Authority lacks a financial management system and no audit has been done. In July 2004, the Liberian firm Voscon completed a pre-audit for the period from October 2003 to May 2004. Voscon was "unable to obtain confirmation of the balances of the accounts receivable", a total of $29 million. A full financial audit would be useful to determine how funds were misappropriated and to ensure that this is not repeated. An audit would also provide the information needed for the concession review, especially the taxes owed by logging concessionaires.

122. The Forestry Development Authority has provided an unaudited summary of revenue and government subsidies (table 2) and expenses (table 3). From October 2003 to October 2004, the National Transitional Government provided FDA with $830,000, comprising $350,000 to reopen the regional offices and $480,000 for monthly operating expenses. (The National Transitional Government has not been properly accounting for these payments: in its budget for February-June 2004, there was provision for only $80,000 for FDA, when, in fact, the Government's allotments were $580,000. No supplementary budget was prepared nor did the National Transitional Legislative Assembly approve this enhanced allotment.)

123. In addition, FDA reports generating revenue of $26,266, half of which was spent directly by FDA, in violation of Executive Order No. 2, according to which all revenues are deposited directly into the Central Bank of Liberia.

124. FDA spent in excess of $833,000 from October 2003 to October 2004 and incurred a further liability of $221,000 on credit, of which three quarters was for SUV trucks for the Managing Director, his deputies, and the Chairman of the FDA Board.

125. In the last year, the National Transitional Government made nine monthly subsidies totalling $480,000, and FDA made eight salary payments, the most recent for May 2004 (see table 2). For the monthly operating expenses, FDA reports that staff transportation allowances were twice the amount paid in salaries.

126. At present, FDA does not have a budget approved by its Board of Directors.

Table 2
Summary of National Transitional Government of Liberia subsidies, revenue and salary payments for the Forestry Development Authority, October 2003-October 2004
(United States dollars)

	Government subsidy	*Revenue*	*Salary expenditure*
October	0	0	38 567
November	50 000	0	38 567
December	50 000	0	38 567
January	50 000	513	38 567
February	0	5 811	38 567

	Government subsidy	*Revenue*	*Salary expenditure*
March	80 000	3 701	38 567
April	50 000	4 271	38 567
May	350 000	1 208	38 567
June	50 000	1 649	0
July	50 000	3 569	0
August	50 000	2 021	0
September	0	3 523	0
October	50 000	0	0
Total	**830 000**	**26 266**	**308 536**

Table 3

Summary of expenditure and accounts payable incurred by the Forestry Development Authority, October 2003-August 2004*

(United States dollars)

	Expenditure	*Accounts payable*
Headquarters salaries	308 536	
Vehicles	150 842	165 953
Building repairs	51 977	
Vehicle repairs	41 465	
Leave and bonuses	34 170	
Foreign travel	26 630	
Training	24 203	
Stationery	19 289	9 647
Fuel	21 160	
Office equipment	15 751	21 800
Road	15 750	
Local travel	17 430	
Public relations	12 816	
[Unidentified accounting code]	11 700	
Hiring services	10 162	850
Office furniture	9 526	
Repairs	7 622	
Rent	6 863	
Prepaid rent	6 352	
Board fee	5 425	
Suspense	4 738	
Registry and licences	4 578	
Employee housing allowance	4 500	

	Expenditure	*Accounts payable*
Rice		8 500
Printing		7 138

* For items in excess of $4,000 (approximately 96 per cent of total FDA spending).

127. To correct the financial mismanagement at FDA, the Managing Director had agreed to appoint an independent firm to provide financial management. He now believes, however, that, with the assistance of an external financial controller, the FDA staff should be given the opportunity to manage the finances.

Progress

128. According to the Managing Director, FDA has hosted 13 assessment missions from the international community. One such assessment was made by the World Bank/IMF Implementation Monitoring Committee. Forestry falls under cluster 9 (Economic policy and development strategy). According to the latest assessment, progress in cluster 9.6 (Forestry, extractive industries and management of natural resources) has been "nil".

129. In December 2003, the National Transitional Government produced a road map of the reform necessary for sanctions to be lifted. The United States Embassy also ran a round table to provide stakeholder input on the road map. Progress is reported in table 4.

Table 4
Reform programmes for lifting timber sanctions

Reform programme	*Description*	*Completed as of November 2004*
Building the capacity of the Forestry Development Authority	Appoint FDA Board of Directors	Yes
	Structure management, adequately compensate staff and provide logistics	Staff not paid since May 2004
	Train field technicians and middle-level staff at a later date	No
	Prepare the terms of reference and commission an independent oversight committee with a mandate to raise community awareness, supervise and review non-governmental organizations and encourage sustainable forest management	No

Reform programme	*Description*	*Completed as of November 2004*
	Request technical assistance for forest and financial management	Yes. The Liberia Forest Initiative, composed of inter alia, the United States, the World Bank, the European Commission, Fauna and Flora International, Conservation International, and the Environmental Law Institute, has two full-time technical assistants in Monrovia
Improving the transparency and accountability of the sector	Commissioning an audit of FDA	No financial audit has been done. Voscon pre-audit revealed poor financial management. The European Commission is completing a financial review.
	Establish a system for depositing all forestry revenues in accounts directed by the Ministry of Finance at the Central Bank of Liberia	Yes, all money to be paid to the Central Bank of Liberia
	Establish a system for funding FDA accounts with the Central Bank of Liberia based on budget allocation of quarterly transfer of funds from Government of Liberia accounts based on standing instruction	For 2004-2005 the National Transitional Government has budgeted $1 million for FDA
	Design a system for separate receiving and disbursing of reforestation and conservation fees	Yes
	Establish a system of reporting and making information accessible to the public	Managing Director has agreed to set up a web site with the assistance of the Liberia Forest Initiative
	Set up an independent oversight committee	No
Concession review	Recall and review all existing concession agreements	Phase 2 complete, Phase 3 to begin soon
	Impose penalties on companies violating sanctions	-
	Prepare addendum to concession agreements reflecting conservation policies and environmental policies	No

Reform programme	*Description*	*Completed as of November 2004*
Conduct a forest inventory	Ground-truthing field surveys and maps from GIS	No
	Determine the potential value of forest resources (timber and non-timber forest products)	No
	Provide information for monitoring, taxation and enforcement	No
Park protection and development	Reconstruction of Sapo Park infrastructure	No; Sapo Park has been invaded by thousands of illegal miners associated with MODEL; Conservation International has committed itself to rebuilding capacity
	Provide equipment and materials for park management	No
	Train and deploy park personnel	No; United Nations civilian police trained 164 enforcement officers, and Fauna and Flora International has committed itself to rebuilding capacity
Mobilize technical and financial assistance	Participate in donors meeting and other promotional activities	Yes
	Discuss bilateral arrangements	Yes

Source: National Transitional Government of Liberia, Committee to Review Sanctions on Log and Timber Trade.

Concession review

130. Before activity is resumed, the status of all concession holders must be reviewed. In its report on phase I of the review, FDA concluded that the industry owes $26,725,642 in taxes. According to FDA, only OTC and Natura Liberia Inc. dispute the assessed level of outstanding taxes, but this has not been independently verified. Voscon noted that verification will be difficult as most of the logging companies indebted to FDA have closed down or left the country because of sanctions.

131. As at 21 November 2004, only the Mohammed Group of Companies had repaid any back taxes ($7,000 out of $2.4 million that FDA claims the Group owes).

132. In phase II of the concession review, FDA increased the standing of civil society and government ministries. The phase II report recommended cancelling six concessions and further examining others.

133. With technical assistance from the Liberia Forest Initiative, the Managing Director of FDA has developed a protocol for the final phase of the review (annex VIII). The review will examine violations in the system of allocation of

logging concessions, failure to pay taxes, and violations of labour and environmental regulations.

Conclusions and recommendations

134. Although there is compliance with timber sanctions, few of the necessary reforms have been implemented. Therefore, the recommendations set out in previous reports of the Panel (S/2003/779, S/2003/937, S/2004/396 and Corr.1, S/2004/752) remain valid.

135. Given extensive investments in heavy machinery in rural areas, timber companies will provide their own protection forces. In the past, ex-combatants and militias provided such protection. If this recurs, conflict could resume.

136. Without financial management, it is impossible to track the finances of the Forestry Development Authority. Accounts must be prepared and the accounts audited by an internationally recognized firm.

137. Without financial oversight, misappropriation of timber revenue will facilitate corruption. Without enforcement, timber companies may violate regulations with impunity.

138. Sanctions are not a long-term solution for Liberia. They must be lifted as soon as possible, that is, once FDA has reformed itself and the sector to ensure that forestry will not contribute to conflict. In order to hasten this process and get Liberians back to work in the sector, a professional management team should be brought in to run FDA. There is precedent for this as the Liberian International Ship and Corporate Registry manages the maritime registry and the independent firm BIVAC manages the inspection services at the port.

VIII. Financial matters

Government revenue; budget for July 2004-June 2005

139. A national budget is an important instrument of economic change, through which national priorities are established and executed. The first full-year budget of the National Transitional Government of Liberia, which followed a year (2003) when, according to IMF, GDP contracted by 30 per cent, gave few signs of macroeconomic policy orientation. The Governance Reform Commission, constituted under the Comprehensive Peace Agreement, observed that the National Transitional Government had accorded misplaced priorities in the budget, allocating 52 per cent for personnel expenditure and 15 per cent for the security service sector — despite UNMIL being primarily responsible for national security. The Governance Reform Commission noted that the security allocation could have been reduced by at least 50 per cent, and the money allocated instead for social services such as health, education, water and roads.

140. Further, the budget appears unrealistic with respect to expected revenue. In the past five years, the revenue of the Government of Liberia has never exceeded $85 million, even when there were no sanctions on the export of timber and diamonds. For July 2004 to June 2005, the National Transitional Government has estimated revenue of $80 million, largely on the basis of buoyant revenue collection during the last budgetary period (February-June 2004).

141. The first full-year budget of the National Transitional Government provides for a small repayment of debt, but does not disclose the size of the debt of the Government of Liberia, domestic or foreign. Further, it does not make any provision for repayment of interest on the debt. In reality, the entire projected revenue for 2004/05 may be insufficient to meet even the annual interest due on the debt. The budget, however, does provide for payment of arrears of salaries to the civil servants.

Lack of government accounts

142. The Panel reiterates earlier findings (see S/2003/498) that the financial data supplied by Government agencies is not necessarily accurate or reliable. The Ministry of Finance has not been audited by any independent agency. Further, the National Transitional Government has not prepared the accounts for the previous two budgets (October 2003-January 2004 and February-June 2004). Thus, it is impossible for a reader to compare the actual receipts with that of projected revenue and actual expenditure against allocations made in the budget approved by the National Transitional Legislative Assembly. This is a significant flaw in the internal financial control system of the National Transitional Government and must be rectified immediately.

143. Likewise, since the Taylor regime, the Office of the Auditor General has not been adequately funded nor was it given access to records by the auditees. For example, the Ministry of Commerce and Industry was last audited in 1999, the Forestry Development Authority in 1994, and the Bureau of Maritime Affairs in 1988. Further, the credibility of the Office was weakened by changes to the law in 1972, which eroded the independence of the institution and its ability to report findings without fear or favour. The recommendation of the Governance Reform Commission for repeal of the 1972 law to make the Office of the Auditor General an autonomous body reporting directly to the National Assembly is consistent with the best international practices and should be implemented forthwith.

Audit by European Commission-sponsored firm

144. Under article 96 of the Cotonou Agreement, the European Union obtained the acquiescence of the Government of Liberia for independent audits of major revenue-producing, State-owned enterprises — that is, the Bureau of Maritime Affairs, FDA, the Liberian Petroleum Refining Company, the National Port Authority, Roberts Field International Airport and the Central Bank of Liberia. The audit reports are being finalized. The Panel recommends that the National Transitional Government of Liberia take immediate action on the recommendations of the independent auditors so that these institutions start following best international practices.

Revenue from maritime programmes

145. In addition to an audit of State-owned enterprises, an audit is necessary of the Liberian International Ship and Corporate Registry, which constitutes a significant source of revenue for the National Transitional Government. According to the Bureau of Maritime Affairs, from October 2003 to October 2004, the Registry transferred $11.34 million to the Government of Liberia on account of tonnage taxes, corporate fees and registration and name change fees. However, the annual accounts of the Registry have not been audited since 2001. The CEO of the Registry

informed the Panel that, despite repeated requests, no auditors have been appointed by the National Transitional Government.

146. The Panel recommends that the accounts of the Registry for the years 2001, 2002 and 2003 should be audited so that the revenues received from the Registry may be matched with the funds accounted by the National Transitional Government of Liberia.

Substantial excess expenditure during February-June 2004

147. Despite the lack of audits, there is evidence of insufficient control over Government finances. According to the budget performance report submitted by the Chairman of the National Transitional Government to the National Transitional Legislative Assembly, from February to June 2004 the National Transitional Government spent $23.1 million against revenue of $29.2 million. Accordingly, the budget performance report claimed a surplus of $6.1 million and stated that the surplus would be carried to the next fiscal year. In fact, the surplus should have been even greater ($8.6 million), because the budget performance report stated that only $20.1 million in expenditure was allocated. That is, the various ministries and agencies spent $2.5 million without any allotments from the Bureau of the Budget. Normally, no expenditure should be made without issue of an allotment.

148. In fact, a surplus of $8.6 million, or even of $6.1 million, does not exist. Analysis of the Ministry of Finance consolidated revenue and expenditure statement for February to June 2004 indicates that the expenditure of $23.1 million in the budget performance report is incorrect. Actual expenditure was $29.2 million. It appears that the Ministry of Finance, which is under the control of LURD, ordered increased expenditure of $8.6 million, nearly one third of the total, without the issue of an allotment letter from the Bureau of the Budget, and perhaps without even informing the Chairman of the Transitional Government. No supplementary budget was prepared and no approval of the National Transitional Legislative Assembly was obtained prior to the increased spending. In the absence of any economic plan, it is not clear how priorities were fixed at the time of distribution of funds among the departments and which authority or agency took upon itself the role of the Legislative Assembly. It is further not clear from the financial statements whether all departments exceeded their budgetary allotments or only a few departments.

149. As there is no system of financial audits by the Auditor General of Liberia, it is unclear how the Legislative Assembly confirms that the ministries, departments or agencies have spent appropriately only the funds allotted under the Assembly-approved budget. Indeed, there were large variations between the purposes for which amounts were sanctioned by the Assembly and the purposes for which the funds were actually spent (see table 5).

Table 5
Variations in spending by the National Transitional Government of Liberia, February-June 2004
(Millions of United States dollars)

	Budget	*Revised estimate*	*Actual expenditure*	*Variation from revised estimates (percentage)*
Personnel expenditure	9.67	9.48	12.77	+34.70
Goods and services	8.20	5.17	10.14	+96.13
Transfers and subsidies	3.44	4.89	2.96	-40.47
Capital expenditure	1.39	3.15	1.85	-41.27
Domestic debt	0.80	0.80	1.47	+83.75
Total	**23.50**	**23.50**	**29.19**	**+24.21**

150. During the same period, capital expenditure was nearly half of the budgetary allotment. Likewise, the purchase of vehicles accounted for more than half of the capital expenditure. Further, foreign travel was more than 10 times budgetary estimates. Thus, there was no semblance of budgetary control in the functioning of the National Transitional Government. *The Panel, therefore, recommends that a thorough inquiry by an independent agency be conducted to determine (a) how money was withdrawn from the government accounts without proper allotment letters from the Bureau of the Budget, and (b) which departments were involved, which authorities spent in excess of budgetary allocations, and the basis on which the funds were allotted. This is necessary to prevent the recurrence of such expenditure in the future.*

Off-budget borrowings and repayment thereof

151. In addition to these unallocated expenses, the Panel investigated several instances of transactions that were reflected neither in the budget of the National Transitional Government nor in the revenue and expenditure statement furnished by the Ministry of Finance.

152. In July 2004 the National Transitional Government borrowed $3 million from the Central Bank of Liberia without making any disclosure about the transaction.

153. The Government continued the practice of the Taylor regime of entering into transactions with private individuals for off-budget borrowings. On behalf of the National Transitional Government, in April 2004, George Haddad paid $225,000 to FIDC (see annex IX) to revoke its contractual rights to the abandoned iron ore in Buchanan. This allowed the National Transitional Government to sell the ore.

154. As mentioned above (para. 124), the Forestry Development Authority obtained vehicles from Africa Motors and Prestige Motors on credit.

155. The Ministry of Finance continues to adjust the $10 million loan made in 1998 to the Taylor Government by the West Oil company, which is headed by businessman Jamal Basma. Adjustments are made to the import duty/sales tax payable by Basma on the import of petroleum products during the past year. It is understood that the loan balance was $3.2 million in October 2003 when the

National Transitional Government took over, but had come down to $0.65 million by September 2004.

156. Similar adjustments are reportedly being made for other suppliers or businessmen but no official data is available. In addition, under past administrations, the Government of Liberia obtained loans and debts from various multilateral agencies, such as the World Bank, IMF, the African Development Bank, the United States of America, the European Union, and other countries, and this debt is estimated to be $3.5 billion. It is not clear why the National Transitional Government has decided to pay the debt of a few private individuals without developing any policy with respect to other debtors. The Panel feels that the entire transactions with those suppliers should be investigated to determine whether they were conducted in a fair and transparent manner and to determine the total debt owed by the Government of Liberia.

Leaking revenue sources

157. In addition to unapproved excess spending, it appears that the National Transitional Government is tolerating substantial leakage of revenue. The Panel documented three major sources: loss of customs duties, loss of taxation on petroleum imports, and loss of revenue from the sale of iron ore.

Customs duties

158. Customs duties represent approximately 40 per cent of revenue for the Government of Liberia. The National Transitional Government entered a three-year contract with the independent firm BIVAC for conducting pre-shipment inspections of imports and exports. However, the BIVAC inspections have been severely restricted, owing to a variety of exemptions and waivers given to two thirds of the traffic at the free port of Monrovia. Among the major items for import that have been granted exemptions are rice, vehicles and petroleum products. As regards exports, all rubber and iron ore exports continue to have exemptions. Not only is this a loss in tax revenue, but it is an international security concern as these uninspected containers could be carrying any cargo.

159. The Panel's repeated requests for copies of contracts for the import of rice and vehicles, and the export of rubber and iron ore, did not elicit any response from the Ministry of Commerce, the Ministry of Lands, Mines and Energy and the General Supply Agency. The Liberian Petroleum Refining Company is the only agency that made available copies of contracts with the importers.

Import of petroleum products

160. The National Transitional Government suffered a large loss in revenue from March to June 2004 because of a reduction in sales and turnover tax (cumulative 19 cents per gallon) on imported petrol and diesel, despite a rise in price of only 8 cents per gallon (table 6). Furthermore, oil importers were given undue benefit of at least $1 million when their margins were increased from 9 cents to 25 cents per gallon (see table 6). This benefit was granted even though the Liberian Petroleum Refining Company had not assessed the importers' losses. When the Liberian Petroleum Refining Company was asked by the Panel to justify the increased profit margin given to the importers, it provided documentation that differed from the originally published government circulars, so that it appears that the importers' incomes were

reduced. Even if the revised figures are accepted, the importers were not incurring any loss; instead it was their profit margin that was reduced. In fact, because the amount of imports was gradually increasing, the actual reduction in total profit was only marginal.

161. The Panel is therefore of the opinion that the entire question of the fixation of petroleum prices should be examined by an independent agency or audit firm and that all petroleum imports should be made subject to pre-shipment inspections to ensure the quantity, quality and pricing of the products.

Table 6
Prices of petroleum products, tax, and importer margin, October 2003-October 2004
(United States dollars)

	Petrol			*Diesel*		
	November 2003	*March 2004*	*June 2004*	*November 2003*	*March 2004*	*June 2004*
Price per gallon	1.066	1.146	1.57	1.066	1.17	1.40
Taxes						
Sales tax	0.35	0.20	0.35	0.35	0.20	0.35
Turnover tax	0.04	-	-	0.04	-	-
Importers' margin	0.09	0.253	0.11	0.09	0.255	0.10
Approved price	2.25	2.25	2.60	2.20	2.20	2.65

Source: Liberian Petroleum Refining Company.

Iron ore

162. Although mining activity ceased 15 years ago, a substantial amount of iron ore lies abandoned at the Port of Buchanan. While the international price of ore of similar quality, that is, more than 64 per cent iron (Fe) content, was in excess of $40 per ton, the National Transitional Government sold 700,000 tons in January 2004 to Shandong, a Chinese company, for $10 per ton. In addition to the low price, all taxes and duties were waived. An examination of the contract indicates that no transparent tendering system was followed, even though it was one of the largest sales agreements signed by the National Transitional Government. The Minister of Lands, Mines and Energy admitted that the iron ore was sold on a "first come, first served" basis without any competitive bidding process, deriving his authority from the mineral policy of the previous Taylor regime, under which minerals and mining rights for specified areas were granted on a "first come, first served" basis. He also stated that the rate finalized with Shandong was $3 per ton higher than that offered by FIDC under the Taylor regime in 2003. This contention is not tenable, however, as, unlike the assignment of mining rights, the Shandong agreement was for the sale of iron ore that had already been brought to port for shipment. Further, since the FIDC agreement, the prices for iron ore have risen by 200 to 500 per cent.

163. The initial proceeds from the sale of the iron ore were not deposited in the Central Bank of Liberia, as prescribed by Executive Order No. 2. It was only when the matter was taken to the Supreme Court of Liberia by civil society organizations that, in September 2004, the Minister of Justice gave an undertaking that all future

proceeds would be deposited in the Central Bank of Liberia and disbursed in line with established financial procedures.

164. In August 2004, the Supreme Court ruled that all shipments of ore must be stopped. That ruling was ignored, however, and until 31 October 2004 eight ships reported as carrying 364,846 tons had left Buchanan (see table 7).

Table 7
Shipment of iron ore from the Port of Buchanan during 2004

Date	*Freighter*	*Volume of ore (tons)*	*FOB value[a] (United States dollars)*
3 July	*Kang Shen*	50 000	500 000
28 August	*Kung Shun*	53 157	531 570
13 September	*Dubai Faith*	44 300	443 000
17 September	*Furness Karumba*	51 039	510 390
29 September	*Aegean Falcon*	44 050	440 500
4 October	*Iran Ghodousi*	41 500	415 000
8 October	*Albert Oldenorf*	44 000	440 000
15 October	*Atermon*	36 800	368 000
Total		**364 846**	**3 648 460**

[a] At $10 per ton.

165. The Panel wishes to reiterate its earlier recommendation (see S/2003/779) for a moratorium on all commercial activities in the extractive industries until a newly elected popular and accountable Government takes over and good governance is established.

Assets freeze

166. By its resolution 1532 (2004), the Security Council requested all States to freeze without delay all funds, other financial assets and economic resources owned or controlled directly or indirectly by Charles Taylor, Jewel Howard Taylor and Charles Taylor, Jr. and/or those other individuals designated by the Sanctions Committee, including those persons acting on their behalf or at their direction, in order to prevent those persons from using misappropriated funds and property to interfere in the restoration of peace and stability in Liberia and the subregion. By resolution 1549 (2004), the Council also decided that the Panel should monitor the implementation and enforcement of the assets freeze imposed on those persons by resolution 1532 (2004), particularly in Liberia and in neighbouring States, as well as in other regions, and to provide to the Committee any other information the Panel acquired which would facilitate the identification of individuals and entities acting on behalf of Charles Taylor, Jewel Howard Taylor and Charles Taylor, Jr. or at their direction. The Panel is also required to make recommendations on technical assistance that Liberia and other States might require to implement the measures.

167. The assets freeze list was first issued on 15 June 2004 and revised on 26 August 2004.

Feeble attempt to implement the assets freeze order in Liberia

168. The present National Transitional Government of Liberia was formed in October 2003 as a conglomeration of three warring groups after the signing of the peace agreement at Accra, and all ministries, parastatals, autonomous organizations etc. were distributed among those groups. The Government is still faction-ridden and does not work as a cohesive unit. This became apparent when the Panel called on the Chairman of the National Transitional Government in the first week of October to ascertain what action the Government had taken to implement resolution 1532 (2004). The Chairman informed the Panel that, although he had issued the instructions to the Minister of Justice for implementing the order, no action had been taken. The Chairman also furnished a copy of a letter written by him (annex X) in August 2004 to the Minister of Justice. The assets freeze list had first been forwarded to the Chairman by the Special Representative of the Secretary-General and coordinator of the United Nations operations in Liberia on 16 June 2004. The Panel also approached the acting Governor of the Central Bank of Liberia on 8 October, requesting him to provide the list of bank accounts of the persons named in the assets freeze list, frozen by them. The Acting Governor told the Panel that no bank account had been frozen. He assured the Panel, however, that now that the letter had been received by him the Central Bank would take immediate action. At the weekly meeting at the Ministry of Finance in mid-October, the representative of the Central Bank, however, expressed the inability of the bank to take any action until the necessary directions were received from the Ministry of Justice.

169. The Ministry of Justice finally acted on 19 October and issued administrative orders for freezing the assets of 2 of the 26 persons named in the assets freeze list, Benoni Urey and Emmanuel Shaw, both associated with the Lone Star Communications Corporation. The Ministry, however, did not take any action to freeze the bank accounts, other assets and economic resources of those two individuals, giving them enough time to take out the funds from bank accounts and dispose of their properties. When the rationale behind the half-hearted action, limited to only two persons, was sought from the Ministry, no reply was furnished.

170. Meanwhile, based on a writ filed by these two persons, the Supreme Court of Liberia stayed the freezing of the assets on 21 October 2004 and directed the National Transitional Government to restore the status quo ante until a final decision was taken on the plea. No further action has been taken in this case. A large section of the Liberian people, however, feel that it was a deliberate action by the Ministry to help those persons, as the Ministry was initially reluctant to do anything and thereafter, when prevailed upon, took only administrative action in haste.

171. Rumours abound in Liberia that other named persons, including Jewel Howard Taylor, are disposing of their properties. It was reported in the local press that she sold two generators recently for $38,000 to a Lebanese businessman and that the transaction was conducted in cash. The Panel wishes to report that one of the persons named in the assets freeze list, Edwin Snowe, is functioning as Managing Director of the Liberian Petroleum Refining Company. He earns $1,700 per month, including perquisites — one of the highest paid government executives by the Government of Liberia's standard. He has a house in Back Road in the Congo town colony of Monrovia, which he has rented out. When the Panel met him for a discussion on the price structure of petroleum products, he claimed that he was innocent and that he has been put on the assets freeze list in error. He stated that he

had in fact tried to block several payments that were connected with the former Taylor regime.

172. The Panel contacted a number of countries — Burkina Faso, Canada, Côte d'Ivoire, Germany, Ghana, Guinea, Israel, Lebanon, Nigeria, Sierra Leone, South Africa, the United Kingdom and the United States of America — to obtain information about the assets frozen by them in pursuance of resolution 1532 (2004). The Panel has learned that, as at the time of writing, the following countries have identified and frozen the assets of persons included in the assets freeze list:

	Name	*Type of assets*	*Value of the assets*
Germany	Leonid Minin	Bank account	€2 089.03
United Kingdom	Agnes Reeves-Taylor	Nine bank accounts	£17 583
United States of America	Benoni Urey	Immovable property	$695 000

173. The Panel recommends that adequate international pressure be brought upon the National Transitional Government of Liberia for prompt implementation of the financial sanctions. It also suggests that necessary legal assistance should be provided to the Transitional Government on a priority basis for implementation of the financial sanctions within the territory of Liberia.

The money trails: financing of Charles Taylor

174. The Panel has not seen any direct evidence that money, funds or assets have been delivered to Charles Taylor. Information received by the Panel suggests however that Charles Taylor is still receiving money from Liberia.

175. According to reports received by the Panel from various sources, under condition of anonymity, it appears that the financing of Charles Taylor is made in cash, using both male and female couriers. The couriers deliver the cash using international flights, but remittance is made via another intermediary so as to avoid a direct route.

176. In many cases there is no need to transfer any money in cash. The former President of Liberia will contact a "friend" by telephone and instruct him to give the required funds to a third party.

177. At present it is difficult to assess which individuals are currently supplying money to Taylor. The general lack of any type of financial control, and rampant corruption in Liberia, make the diversion of money from any company or individual to Taylor extremely easy.

178. Taylor still poses a threat to the future stability in Liberia. Although an arrest warrant was issued in the form of a "red notice" for Taylor's detention by the Special Court for Sierra Leone over one year ago, Taylor remains at large in Nigeria. This raises questions about the efficacy of the application of the rule of law at the international level, particularly as Nigeria is a Member of the United Nations and a member of Interpol.

Annexes*

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* The annexes are being circulated in the language of submission only.

Annex I

Letter dated 2 July 2004 from the Secretary-General addressed to the President of the Security Council*

I have the honour to refer to Security Council resolution 1549 (2004) concerning Liberia. In paragraph 1 of the resolution, the Council re-established the Panel of Experts appointed pursuant to paragraph 22 of resolution 1521 (2003) for a period to commence no later than 30 June until 21 December 2004 to undertake the tasks set out in paragraph 1 of resolution 1549 (2004). In paragraph 3 of the same resolution, the Council requested me to appoint, in consultation with the Security Council Committee established pursuant to resolution 1521 (2003) concerning Liberia, no more than five experts with the range of expertise necessary to fulfil the Panel's mandate, contained in paragraph 1 of resolution 1549 (2004).

Accordingly, I wish to inform you that, taking into account the requirements stated in resolution 1549 (2004), including that I draw, as much as possible and as appropriate, on the expertise of the members of the Panel of Experts established pursuant to resolution 1521 (2003), I have appointed the following five experts:

1. Arthur Blundell (Canada)
2. Atabou Bodian (Senegal)
3. Damien Callamand (France)
4. Caspar Fithen (United Kingdom)
5. Tommy Garnett (Sierra Leone)

I have also selected Mr. Bodian to chair the Panel of Experts.

I should be grateful if you would bring this information to the attention of the members of the Security Council.

(*Signed*) Kofi A. **Annan**

* Previously circulated under the symbol S/2004/531.

Annex II

Summary and comparative analysis of the results of the survey concerning the effects of the sanctions

Questionnaires

A total of 1,574 questionnaires were administered to individuals in six counties with major timber and mining concession areas. The ages of the respondents range from 18 to 78 years. Four hundred eighty-five or 30.81 per cent of the respondents were female and 1,089 or 69.18 per cent were male. The average number of dependants per person interviewed is 5.4. The major sources of livelihood for the population interviewed are subsistence agricultural activities and small business activities, including petty trading and fishing.

Of the 1,574 persons interviewed, 537 were employed before July 2003 and 1,037 were unemployed. Current employment is 344 with unemployment increasing from 1,037 before July 2003 to 1,230 at present. The rise in unemployment was attributed primarily to the sanctions, especially those relating to timber and diamonds.

Regarding knowledge about the sanctions regime on Liberia, 1,479 did know about the sanctions generally. Of this number, 1,458 knew about the sanction on timber, 938 about the sanction on diamonds, 909 about the sanction on arms and 467 knew about the travel ban.

Asked about their perception of the impact of sanctions, 1,146 of 1,479 interviewees who knew in general about sanctions acknowledged that sanctions on timber and diamonds had had negative impacts, with respect to jobs, local businesses, transportation and livelihoods overall.

Nevertheless, while most of the respondents attributed the high unemployment rate in their respective counties to the sanctions on timber and diamonds, a significant majority preferred that sanctions be lifted after an election that would usher in a democratically elected government. Thus, of 1,479 interviewees who knew about the imposition of sanctions on Liberia, 880 wanted sanctions on timber lifted after elections; 967 wanted sanctions on diamonds also lifted after elections; 816 preferred a permanent or long-term embargo on arms; and 722 wanted the travel ban to remain in place until elections were held. It should be noted that the above figures represent the highest among the respondents to the question about whether the sanctions should be lifted now, after elections, after disarmament, or not at all.

In response to the question which sanctions affected the interviewed communities most, timber sanctions ranked the highest, with 1,101 respondents affirming this, followed by diamonds (355) and arms (153).

Focus group discussions

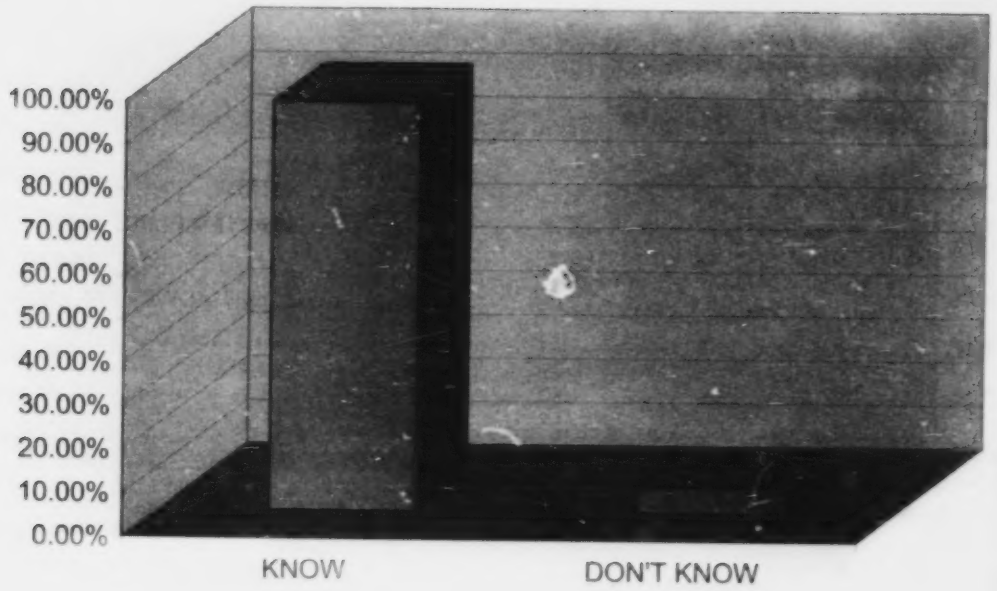
Forty-nine focus group discussions were held in 10 communities in each of five counties — Grand Bassa, Lofa, Maryland, River Cess and Sinoe. The estimated total population of the communities where discussions were conducted is 233,526. Participants in the discussions and public meetings included civil administrators, traditional community leaders, representatives of trades and workers unions, petty

trading and marketing associations, youth, local business people, and non-governmental and community-based organizations.

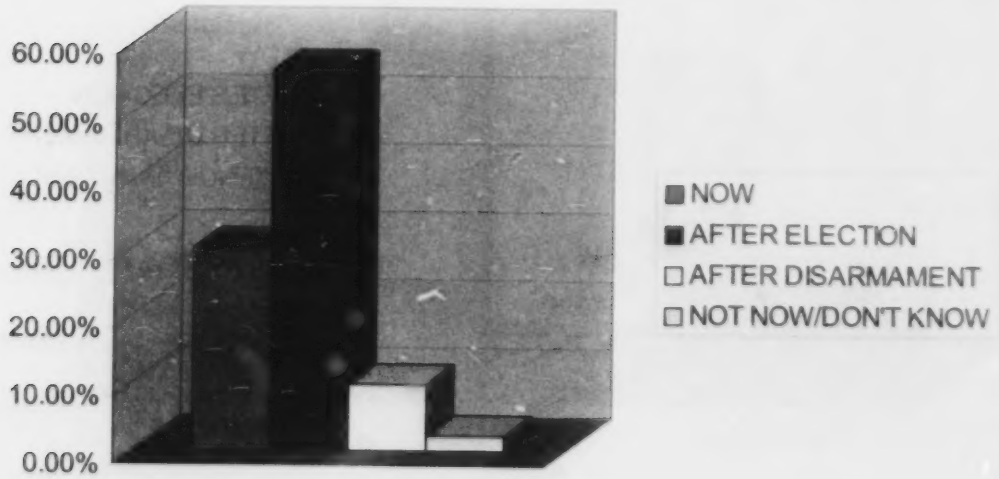
The following key points emerged from the group discussions:

- Sanctions on timber and diamonds were perceived as key contributors to unemployment in these areas, but conditions in Liberia are not ripe for the sanctions to be lifted; therefore the international community should intensify its efforts to increase alternative employment opportunities for people in these areas.
- Security conditions in many of the areas have improved greatly, and communities are enjoying a sense of safety. Nevertheless, in some of the areas, the UNMIL presence has not been felt and some former warring factions are still exerting control, thus creating fear and a sense of insecurity.
- The main providers of social services in most of the communities are the United Nations and non-governmental organizations. The presence and impact of governmental agencies providing social services is not fully felt as yet.
- The current salaries of government employees range from Lib$ 400 to Lib$ 4,000 and salaries of national employees of non-governmental organizations and private business range from US$ 100 to US$ 1,500.
- The expected arrival of returnees from internally displaced and refugee camps back to these areas is perceived as a sign of progress in Liberia's peace process, but is also cause for concern among several community members, given the level of destruction caused by the conflict and the slow pace of rehabilitation of social infrastructures.

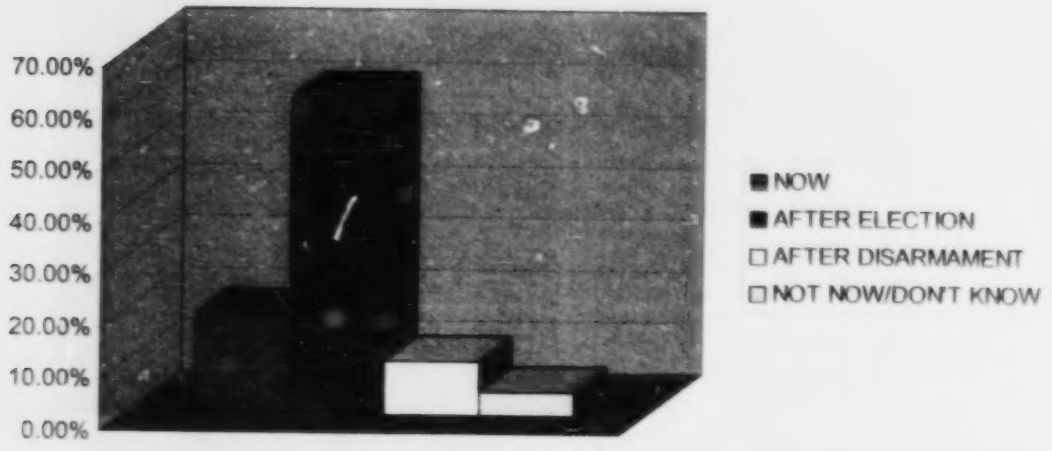
KNOWLEDGE ABOUT SANCTIONS



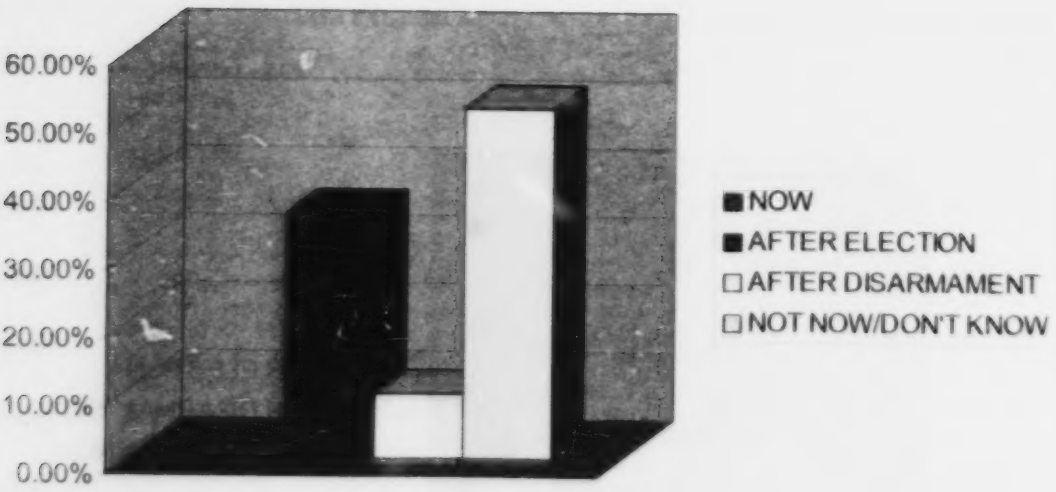
WHEN SHOULD THE FOLLOWING SANCTIONS BE LIFTED?
TIMBER



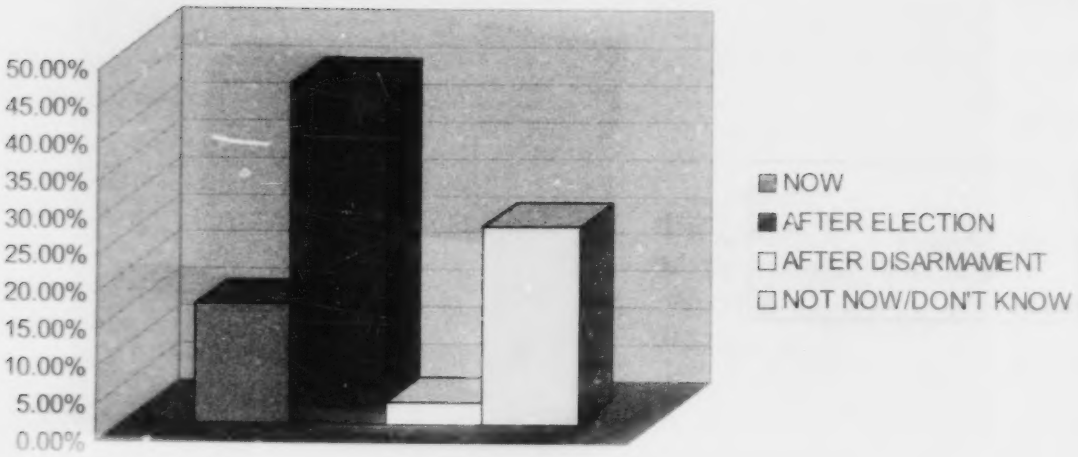
DIAMONDS



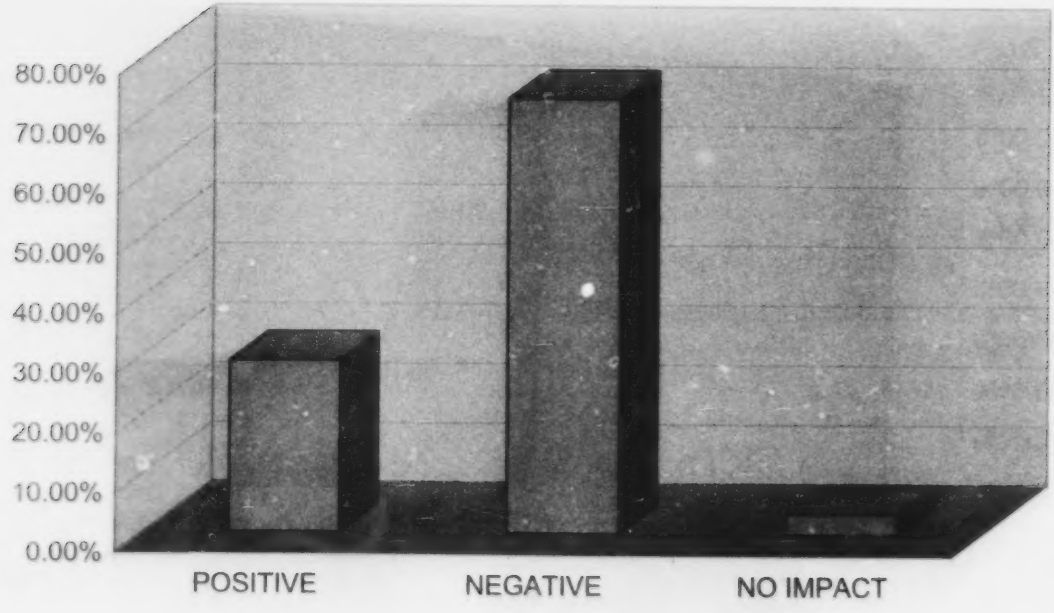
ARMS



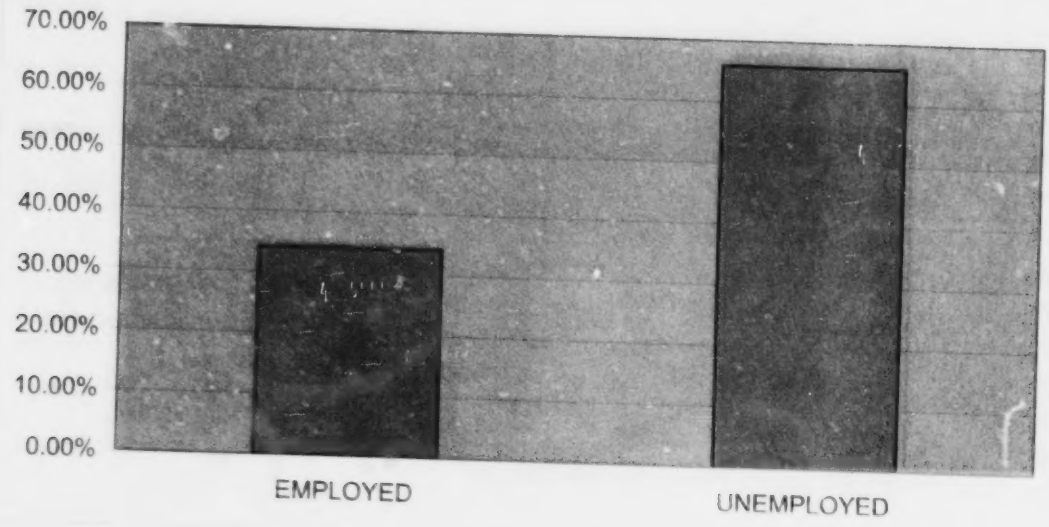
TRAVEL BAN



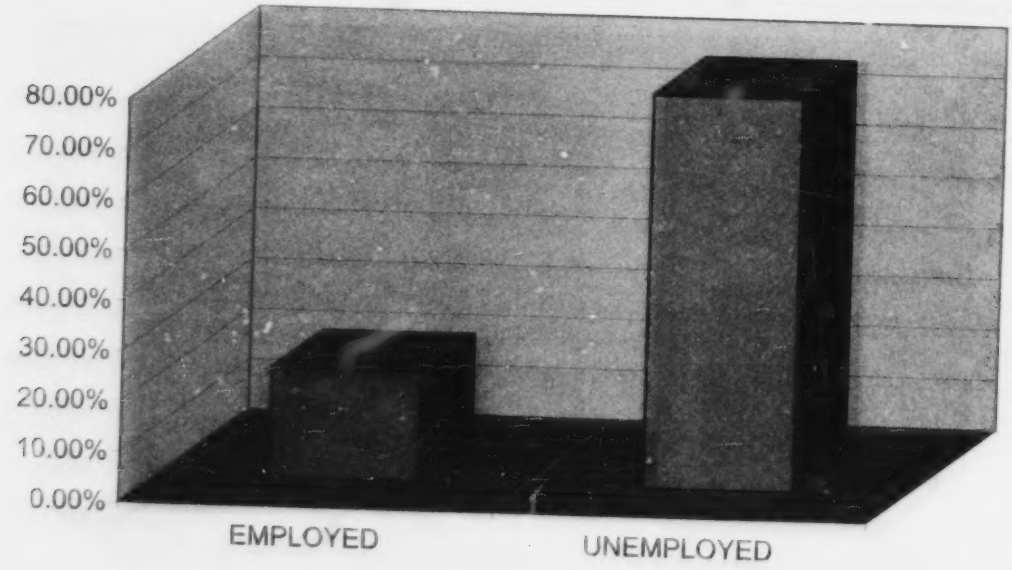
IMPACT OF SANCTIONS



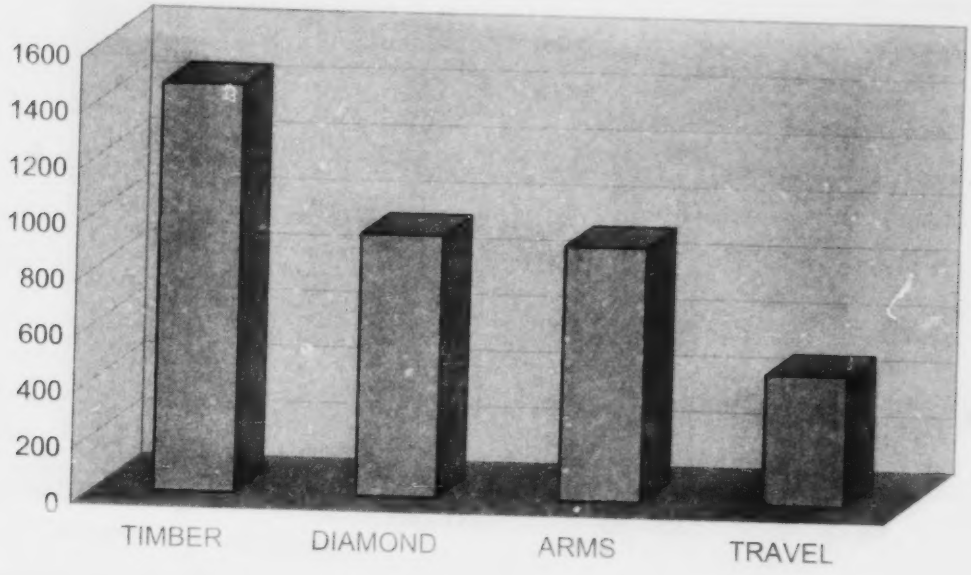
EMPLOYMENT STATUS BEFORE JULY 2003



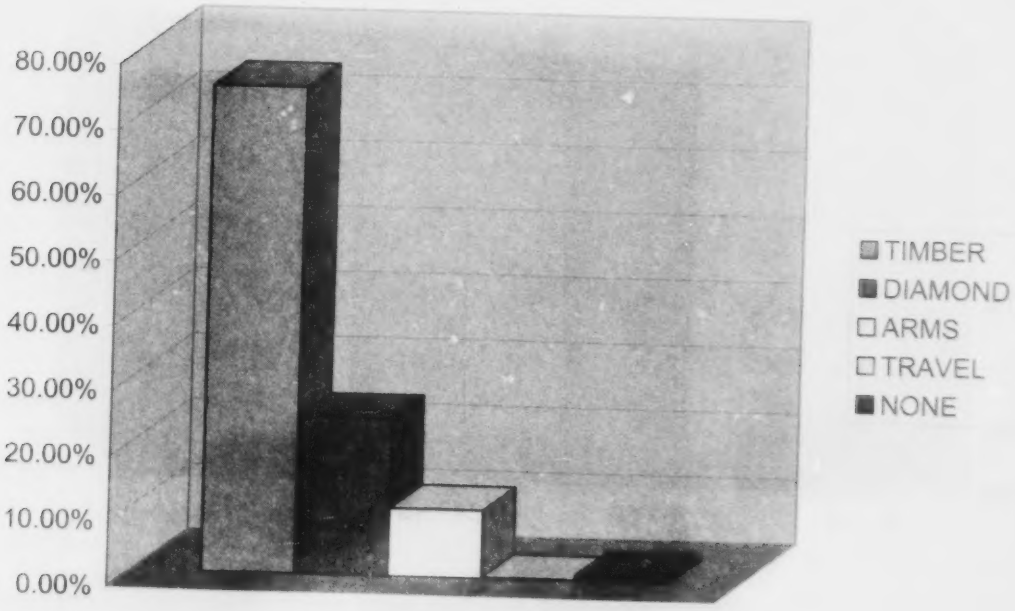
CURRENT EMPLOYMENT STATUS



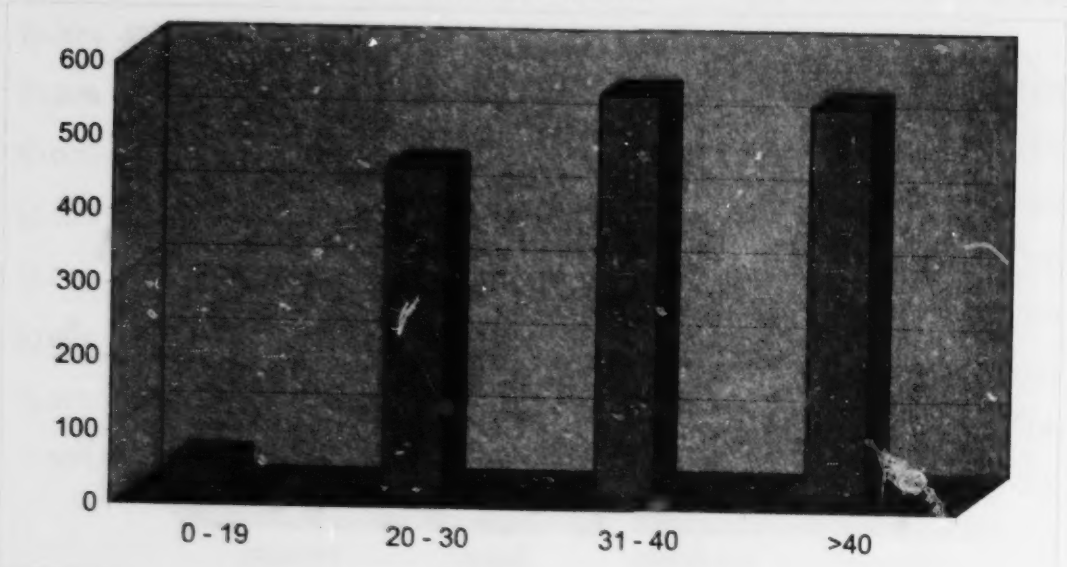
TYPE OF SANCTION KNOWN BY RESPONDENTS



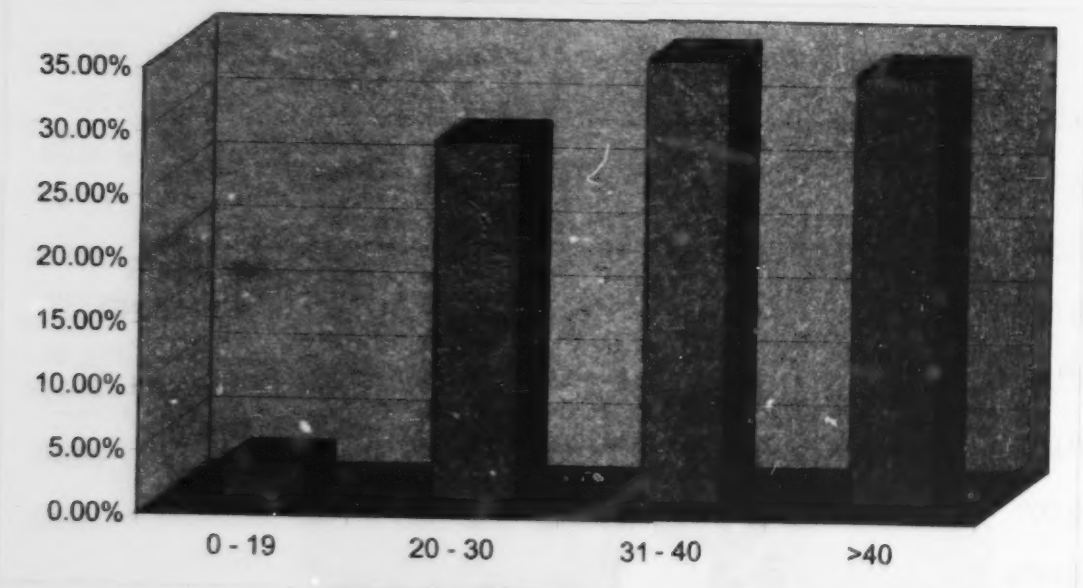
SANCTION THAT AFFECTS COMMUNITIES THE MOST



AGE RANGE INTERVIEWED AND NUMBER OF RESPONDENTS



AGE RANGE AND PER CENT OF RESPONDENTS



General casting of the poll results

	A	B	C	D	E	F	G	%
Total respondents	256	241	252	330	252	243	1 574	
Male	180	167	159	255	167	161	1 089	69.18
Female	76	74	93	75	85	82	485	30.81
Ages 0-19	20	11	1	5	6	4	47	2.986
Ages 20-30	90	82	37	105	65	67	446	28.33
Ages 31-40	92	88	97	103	75	93	548	34.81
>40	54	60	117	117	106	79	533	33.86
Know about sanctions	250	219	241	323	239	207	1 479	93.96
Don't know	6	22	11	7	13	36	95	6.04
When should timber sanction be lifted?								
Now	76	80	65	53	148	47	469	30.41
After election	139	123	144	268	59	147	880	57.06
After disarmament	59	14	4	1	38	39	155	10.05
Not now/not at all	2	1	28	1	5	1	38	2.46
When should diamond sanction be lifted?								
Now	18	16	18	54	135	63	306	20.19
After election	132	126	220	267	72	150	967	63.82
After disarmament	66	29	2	1	33	37	168	11.08
Not now/not at all	58	4	1	1	10	0	74	4.88
When should sanction on arms be lifted?								
Now	1	10	2	1	0	20	34	2.16
After election	51	29	118	126	72	175	571	36.3
After disarmament	57	61	0	1	11	22	152	9.66
Not now/not at all	161	135	125	195	167	33	816	51.87
When should the travel ban be lifted?								
Now	60	82	12	55	15	29	253	17.55
After election	43	38	196	182	83	180	722	50.1
After disarmament	1	1	0	1	9	35	47	3.26
Not now/not at all	152	0	33	85	143	6	419	29.07
Employment before July 2003								
Employed	97	107	72	137	95	29	537	34.12
Unemployed	159	134	180	193	152	214	1 037	65.88
Current employment								
Employed	45	37	35	115	33	79	344	21.85
Unemployed	211	204	217	215	219	164	1 230	78.14

	A	B	C	D	E	F	G	%
Sanction that affects community most								
Timber	220	173	200	87	226	195	1 101	68.09
Diamond	0	1	0	226	10	118	355	21.95
Arms	38	63	38	10	0	4	153	9.46
Travel	0	1	0	0	0	0	1	0.062
None	0	3	4	0	0	0	7	0.43
Impact of sanctions								
Negative	196	155	194	210	204	187	1 146	73.08
Positive	78	133	43	113	46	9	422	26.91

A: Maryland County
B: River Cess County
C: Grand Bassa County
D: Nimba County
E: Sinoe County
F: Lofa County
G: Total

FOCUS GROUP DISCUSSION						
COUNTY	NO. OF GROUPS	Approximate Population of Communities	WHO CONTROLS AREA	DO YOU CONSIDER AREA SAFE?		
				YES	NO	NO
G BASSA	25	135 632	UNMIL/NTGL	24	1	1
RIVER CESS	6	7 200	UNMIL	6	0	0
MARYLAND	2	15 000	UNMIL/NTGL	2	0	0
SINOE	12	49 250	UNMIL/NTGL	12	0	0
LOFA	4	26 444	UNMIL/LURD	2	2	2

ARE YOU AWARE OF SANCTIONS			
	RIVER CESS	MARYLAND	BASSA
YES	5	2	24
NO	1	0	1

WHEN SHOULD SANCTIONS BE LIFTED, RIVER CESS

	NOW	AFTER ELECTIONS	AFTER DISARMAMENT	NOT AT ALL/NOT NOW
TIMBER	2	4	0	0
DIAMOND	0	4	1	1
ARMS	0	0	1	5
TRAVEL	4	0	0	2

WHEN SHOULD SANCTIONS BE LIFTED, G. BASSA

TIMBER	10	13	0	1
DIAMOND	3	21	0	0
ARMS	0	15	0	9
TRAVEL	1	21	0	2

WHEN SHOULD SANCTIONS BE LIFTED, MARYLAND

TIMBER	1	1	0	0
DIAMOND	0	2	0	0
ARMS	0	1	1	0
TRAVEL	1	1	0	0

Annex III

Diplomatic passport of Benjamin D. Yeaten

3

The Government of the Republic of Liberia requests all those whom it may concern to allow the bearer to pass freely without let or hindrance and to afford the bearer such assistance and protection as may be necessary.

Signed
Passport Officer

Signature
Holder

REPUBLIC OF LIBERIA / REPUBLIQUE DU LIBERIA

Passport
Passeport

Type / Type: Diplomatic

Surname / Nom: Yeaten

Given names / Prénoms: Benjamin D.

Date of birth / Date de naissance: February 29, 1969

Sex / Sexe: M

Place of birth / Lieu de naissance: Tiapley, Nimba Co, Liberia

Date of issue / Date de délivrance: February 10, 1999

Date of expiry / Date d'expiration: February 9, 2001

DIRECTOR,
S. S. S.
REPUBLIC OF LIBERIA

2

Annex IV

Official passport of Coo Coo Dennis

LIBERIAN NATIONALITY
NATIONALITE LIBERIANE

3

00086

The Government of the Republic of Liberia requests all those whom it may concern to allow the bearer to pass freely without let or hindrance and to afford the bearer such assistance and protection as may be necessary.

Signed
Passport Officer

Signed
Holder

REPUBLIC OF LIBERIA / *REPUBLIQUE DU LIBERIA*

Passport
Passeport

Type / *Type*: Official

Surname / Name: Dennis

Other Names / *Autres noms*: Coo Coo

Date of birth / *Date de naissance*: March 15, 1941

Sex / Sex — Place of birth / *Lieu de naissance*: M Gbondoi, Bong Co, Liberia

Date of issue / *Date de délivrance*: October 9, 1997

Date of expiry / *Date d'expiration*: October 8, 1999

2

Annex V

Diamond mine at Gbapa, Nimba County

Annex VI

Gratis permit for sawn planks granted by the Forestry Development Authority to a LURD general

September 29, 2004

GRATIS PERMIT SN039/29/09/04

TO WHOM IT MAY CONCERN

Kindly grant free passage to Mr. Abass Sesay to transport 500 (five hundred) pieces of assorted sawn timber from Bomi/Bong County to Monrovia between September 29 - October 7. 2004 after which period this permit becomes invalid.

Please be informed that this GRATIS PERMIT SN039/29/09/04 is not to be used by any unauthorized person (s) and therefore photocopying is strictly prohibited.

The cooperation of all concerned is highly solicited.

Kind regards.

Forestry Development Authority
MANAGER
Jerome J. Tarn
Manager, Forest Products Utilization

Approved:
Paul W. Thomas
Deputy Managing Director/
Administration & Finance

cc: Head/Forest Protection & Extension Services
Accounts
Rangers at designated check point
File (Utilization)

Annex VII

Memorandum of FDA enforcement officers after their graduation from the UNMIL/United Nations civilian police training programme

Resolution on the implementation of the reform programme of the forestry sector of Liberia

Having realized that revenue generated from the forestry sector has not been equally distributed to benefit the needs of the suffering masses,

Considering that in the face of sanctions coupled with the lack of revenue-generating capacity by FDA to adequately and sufficiently monitor, supervise and regulate all forestry-related activities,

Considering that unemployment in the forestry sector will create demands on forest products (wildlife, sawn timber, etc.) as repatriation of Liberians and the resettlement of internally displaced people takes effect in October 2004,

Realizing that there is a need to institute major reforms in the forestry sector of Liberia, which is a prerequisite to the lifting of the United Nations sanctions on Liberia, we wish to thank the Liberian Forest Initiative (LFI), Conservation International and the Forestry Development Authority, the UNMIL civilian police training unit and all other contributing agencies that saw the need to conduct a 21-day training seminar in the area of forest law enforcement practices in an effort to revamp the forestry sector of Liberia,

Now, therefore, having completed this training exercise, we the employees of FDA have resolved to present this resolution as a way forward to improve and institute transparency into the forestry sector. Henceforth, we call on the United Nations Security Council to see reason(s) to consider the lifting of sanctions on the exportation of timber from the Liberian market.

1. That the New Forestry Law/Act approved by the National Legislature in the year 2000 enabling and empowering the President of the Republic to exclusively and unilaterally negotiate and conclude all concessions agreements be repealed;

2. That any concessionaire(s) wishing to engage in logging activities be required to submit a cash bond (amount to be specified by FDA/Government of Liberia) instead of property bond;

3. That prior to the resumption of logging activities, i.e. before the lifting of sanctions, the international community provides assistance to FDA to demarcate the boundaries of national parks, nature reserves, national forests and concession areas;

4. That in order to carry out a sustained forest management plan, FDA be encouraged to resume the annual coupe(s) system by means of cutting blocks and enumerating all concession areas with the view to knowing the stock volume (tree stand) in every concession;

5. That in order to curtail malpractices and to increase efficiency and productivity on the job, there should be a review of the existing salary structure for subsequent adjustment commensurate with the qualifications and experience of the employee;

6. That incentives such as insurance policy and transportation allowance be improved; and also housing and medical benefits be extended to all employees throughout the country;

7. That an intensive public awareness campaign regarding forest education be conducted nationwide about the conservation of wildlife and the adherence to the forest laws, policies and regulations;

8. That to seriously and vigorously enforce the regulation on commercial hunting, without bias, several alternative measures be introduced in the form of poultry, piggery, animal husbandry, fish culture, cattle raising, etc. to discourage the bush meat trade;

9. That pit-sawing be immediately banned and logging companies be mandated to establish sawmills in order to process sawn timber for local consumption. This mandate should be vigorously enforced;

10. That at least 10 per cent of the total revenue generated in each region on a monthly basis from the forestry sector remains in that region for developmental purposes;

11. That FDA be encouraged to reintroduce the scholarship scheme and short-term training programmes for the purpose of capacity-building especially for field staff;

12. That the regulation mandating logging companies to employ at least two Liberian professional foresters be re-enforced since FDA may not have the ability to employ all Liberian professional foresters;

13. That the Management Council be reinstituted as the highest administrative decision-making body of FDA;

14. That promotion and determination of the salary structures of FDA employees be on the basis of the "merit system";

15. That field staff be empowered to perform their duties and functions in accordance with the forestry regulations without any form of intimidation and interference;

16. That facilitators to this training programme assist the field staff with resettlement allowances and logistics before deployment throughout the country;

17. That the Forestry Training Institute located in Tubmanburg, Bomi County, be renovated, re-equipped and re-opened for the training of middle-level forestry technicians.

In view of the foregoing, we wish to assure the international community and all stakeholders that, with their support, the Forestry Development Authority will implement the reform programme of the forestry sector to the fullest.

Annex VIII

Terms of reference and methodology for phase III of the concession review (as proposed by the Liberia Forest Initiative)

A transparent, independent and internationally recognized concession review process is of vital importance for starting new activities in the Liberia Forest Sector. The LFI mission reviewed the original Terms of References for Concession Review III, the outputs of Concession Review I and II, the draft methodology prepared by the expert mission (USFS, World Bank, WRI) that came in September, the inputs of FDA, the private sector and civil society and makes the following recommendations based on the above findings.

Note: We recognize that additional comments and considerations may come before the concession review committee as the process moves forward. The committee may wish to consider additional points of view, especially from civil society, in formulating its final ground rules. The committee may wish, for example, to consider providing a questionnaire to concessionaires that investigates their compliance with legal requirements. We urge, however, that the following recommendations be closely considered as a useful way forward in establishing a transparent and credible review process.

Recommendations

Creation of a Technical Secretariat (TS)

In order to work in a more efficient and effective way, the mission recommends the establishment of a TS that will do the bulk of the work of the concession review and present the results to the Concession Review Committee.

The TS should be composed of:

1. local lawyer (full time)
2. local forester (full time)
3. international lawyer (part time)
4. international forester (part time)
5. regional financial management firm (part time)

Revised Concession Review Criteria

The mission carefully reviewed all the 13 criteria presented in the original Terms of Reference for the Concession Review III; analyzed and discussed with various stakeholders the 9 criteria proposed by the experts mission that came in September, and recommends to reduce the number of screening criteria to 7 based not on the desirability but on the technical and financial feasibility of implementation, considering that after two years it is almost impossible to do any field verification. A more realistic time-line for the review is presented below.

The 7 screening criteria are:

A. Verify if concession holder is a bona fide legal business entity authorized to operate in Liberia

B. Verify authenticity of the concession contract (if overlapping claims exist then the Committee will issue an opinion, but eventually the two companies will go to arbitration or court)

C. Review concessionaire involvement in Liberian politics (i.e. UN sanction violations)

D. Review concession contract for application of revocation clauses (without getting into field verification)

E. Examine concessionaire compliance with community obligations under the concession contract (mainly accounting evidence of compliance with education and health obligations)

F. Examine concessionaire compliance with financial obligations

G. Examine concessionaire compliance with applicable labor laws (mainly payroll as per accounting books)

...

Upon completion of the Concession Review the Committee will submit its final recommendations to the NTGL, who will notify the decisions to individual concession holders.

Next Steps. The mission recommends the following next steps:

1. Amendment by the Chairman of NTGL of the previous ToR for the Concession Review and issuing of these new ToR- Nov. 7
2. Official opinion of the Principal Attorney of the Liberia Republic on validity of the New Forestry Law of 2000
3. Setting of up of a Technical Secretarial under the Committee- Nov. 28
4. Start up of the concession review process – Dec 1

Proposed Schedule of Meetings for the Concession Review Committee (1/2 day):

1. Dec. 1-7: Presentation of the Technical Secretariat to the Committee
2. Jan. 1-7: Discussion of review results for Steps A, B, C of the decision tree
3. Feb. 1-7: Discussion of review results for Steps D of the decision tree
4. Feb. 15: Follow up discussion on Step D
5. Apr. 1-7: Discussion of results of Step E, F, G (presented by the financial review firm)
6. Apr. 15: Follow up discussion on Step E, F, G
7. Apr. 20: NTGL presents officially the final results of the review

Annex IX

Financial documents relating to the sale of iron ore

FIDC, INC.

CONGO TOWN
MONROVIA, LIBERIA

March 24, 2004

Honourable Jonathan A. Mason
Minister of Lands, Mines & Energy
Ministry of Lands, Mines & Energy
Capitol Hill
Monrovia.

Dear Sir:

RE: IRREVOCABLE PAYMENT INSTRUCTIONS

We refer to a letter dated March 23, 2004 from the Minister of Lands, Mines & Energy in his capacity as Co-Chairman of the Liberian Mining Company's (LIMINCO) Board of Directors, in which FIDC acknowledged the assignment of its contract rights under the Agreement for the Sale of Iron Ore (the "Assignment Letter"). The Assignment Letter provides for the payment to FIDC of Four Hundred and Fifty Thousand United States dollars (US$450,000.00) within thirty (30) days of the date of the aforesaid Assignment Letter.

By these presents, you are hereby instructed to pay the aforesaid amount of: Four Hundred and Fifty Thousand United States dollars (US$450,000.00) to our counsel, Pierre, Tweh & Associates, Palm Hotel Building, Broad & Randall Streets, Monrovia, for our account.

These Instructions are final and irrevocable and supersede and nullify all prior understandings regarding the payment of this amount. These Instructions are to remain in full force and effect until the total amount shall have been received by Pierre, Tweh & Associates.

Please indicate your acknowledgment, acceptance and confirmation of these Instructions by signing in the place indicated.

Kind regards,

Nathaniel Barnes
DIRECTOR

ACKNOWLEDGED, ACCEPTED AND CONFIRMED:

Honourable Jonathan A. Mason
MINISTER OF LANDS, MINES & ENERGY &
CO-CHAIRMAN, LIMINCO'S BOARD OF DIRECTORS

Pierre, Tweh & Associates
Palm Hotel Building, Broad & Randall Streets
P.O. Box 10-2536 1000 Monrovia 10
Liberia, West Africa

Tel. (231) 226577/226480
Fax: (231) 226687

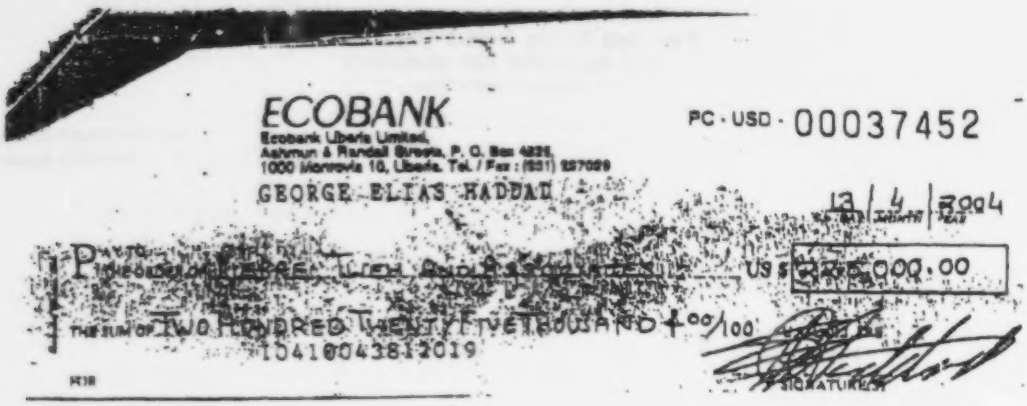
APRIL 13, 2004

RECEIPT

RECEIVED FROM THE MINISTRY OF LANDS, MINES & ENERGY, ON BEHALF OF FIDC, INC., CHECK # 00037452, DATED 13/4/2004 IN THE AMOUNT OF TWO HUNDRED AND TWENTY. FIVE THOUSAND UNITED STATES DOLLARS (US$225,000.00) MADE PAYABLE TO PIERRE, TWEH & ASSOCIATES DRAWN ON ECOBANK LIBERIA LIMITED.

THE CHECK REPRESENTS PARTIAL PAYMENT TO FIDC, INC, AS PER THE TERMS OF IRREVOCABLE PAYMENT INSTRUCTIONS DATED MARCH 24, 2004 FROM FIDC, INC., TO THE MINISTRY OF LANDS, MINES & ENERGY.

COUNSELLOR JAMES E. PIERRE
SENIOR PARTNER
PIERRE, TWEH & ASSOCIATES



ECOBANK

Ecobank Liberia Limited,
Ashmun & Randall Streets, P. O. Box 4826,
1000 Monrovia 10, Liberia. Tel. / Fax : (231) 227029

PC - USD - 00037452

GEORGE ELIAS HADDAD

13 / 4 / 2004

PAY TO THE ORDER HERE WITH BOLD STROKES

US $ 225,000.00

THE SUM OF TWO HUNDRED TWENTY FIVE THOUSAND +00/100

10410043812019

SIGNATURE

Annex X

Letter dated 31 August 2004 from the Chairman of the National Transitional Government of Liberia to the Minister of Justice

CGB/LA/036/31/08/'04

August 31, 2004

Counsellor Kabineh Janneh
Minister of Justice
Ministry of Justice
Monrovia, Liberia

Dear Counsellor Janneh:

I am herewith forwarding for appropriate action of your Ministry attached documents from the Office of the Special Representatives of the United Nations Secretary General, transmitting a list of individuals who, as determined by the Security Council's Sanction Committee are subject to the assets freeze measures pursuant to Security Council's resolution 1532 (2004).

You will observe that consistent with aforesaid resolution, all States in which there are funds, or financial assets or economic resources controlled directly or indirectly by these individuals are mandated to freeze said assets without delay.

Accordingly, and following close consultation with the leadership of the National Transitional Legislative Assembly, you are hereby directed to take all appropriate legal and administrative measures by Government to ensure full and complete compliance with the measures outlined by the Security Council Resolution 1532 (2004), which are designed to achieve peace and security in our Country.

Kind regards.

Cordially,

C. Gyude Bryant